FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

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Volcker's Fed: quiet voice around the world, Page 17

NEWS SUMMARY

GENERAL

Morocco resigns at OAU summit

Morocco resigned from the Organisation of African Unity at its Addis Ababa summit in protest against the admission of the Polisario independence movement from the Western Sahara. Zaire said it would boycott the summit in support.

King Hassan of Morocco, in a message to the summit, said the seating of Polisario for the first time had thrown the organisation "into illegality." He said: "We will wait for wiser days."

The walkout followed a compromise resolution at last year's OAU summit which called for a truce between the two warring parties leading to a plebiscite in Western Sahara. Morocco made no conspicuous effort to implement that resolution.

Ministers dismissed

Prime Minister Robert Mugabe of Zimbabwe dismissed two ministers belonging to the opposition Zapu Party. Sources said a deputy minister might also have been dismissed. Page 4

U.S. denial

U.S. Defence Department denied it was preparing an invasion of Nicaragua after reports from Managua that 25 U.S. warships with 15,000 troops were approaching the country's Caribbean coast. The U.S. said the vessels were taking part in manoeuvres. Page 6

Vienna bombs

Two bombs exploded in Vienna, at the British embassy and the office of El Al, the Israeli airline. Nobody was hurt, police said.

Kohl choice

West German Chancellor Helmut Kohl named Herr Wolfgang Schäuble, his parliamentary chief whip and close confidant, as Minister and Head of the Chancellery. Page 18

Polish dissidents

Fourteen Poles, including four of the country's best-known dissident intellectuals, announced the formation of a human rights group in response to the kidnap and murder of Father Jerzy Popieluszko last month. Page 2

Currency clamp

Police ordered illegal Arab money changers in East Jerusalem to cease operating within six days as part of an attempt by the Isreali Government to stop a drain of hard currency.

Five die

Three men, a woman and child – all blacks – died when a petrol bomb was thrown into their home in Daveyton, east of Johannesburg. Page 4

Mitterand appeal

President François Mitterrand of France visited a Paris mortuary to pay respect to three victims of killings and to appeal for an end to increasing violence. Page 3

First visit

President Li Xiannian of China began his first visit to Western Europe in Madrid, on a tour intended to improve ties with the West and attract foreign capital.

Gandhi appeal

Prime Minister Rajiv Gandhi said terrorists and outside forces were trying to destabilise India. He told leades of the ruling Congress (I) Party that their task was to keep the nation united after his mother's assessination. Page 4

Shultz visit

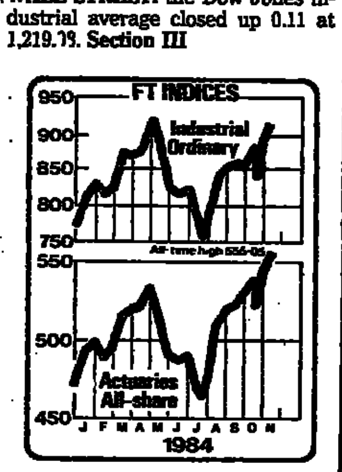
U.S. Secretary of State George Shultz might visit the Soviet Union next January for talks with Soviet Foreign Minister Andrei Gromyko.

BUSINESS

Bank of France warns on credit

BANK OF FRANCE Governor M Renaud de la Geniere has warned French bankers that they could face "rarer and dearer credit" next year after the phasing-out of the encadrement (credit control) system of adminstered loan ceilings. Page 18

WALL STREET: the Dow Jones industrial average closed up 0.11 at 1,219.19. Section III



LONDON equities made confident progress, with the FT Industrial Ordinary index up 14.6 to 914.7. The FT-Actuaries All-Share index advanced 1 per cent to a record 555.05, and gilts extended gains to more than a point. Section III

TOKYO stocks edged lower with interest limited to issues backed by particular incentives. The Nikkei-Dow market average shed 4.16 to 11,235.12. Section III

DOLLAR showed small mixed changes in London, improving to DM 2.9465 (DM 2.945) and FFr 9.0475 (FFr 9.035), but falling to SwFr 2.416 (SwFr 2.4235) and Y240.85 (Y241). On Bank of England figures, its trade-weighted index rose to 138.4 from 138.3. In Chicago it closed at DM 2.947, SwFr 2.422 and Y240.92. Page 37

STERLING was firm in London, rising ½ cent to $1.267. It also improved to DM 3.735 (DM 3.715), FFr 11.455 (FFr 11.4325), SwFr 3.0625 (SwFr 3.0575) and Y305.25 (Y303.75). Its exchange rate index rose 0.2 to 76.5. In Chicago it closed at £1.2665. Page 37

GOLD was unchanged on the London bullion market at $346.75. It was slightly lower in Frankfurt at $346.25 and in Zurich at $346.50. In New York the December Comex settlement was $349.20. Page 36

ARGENTINA is expected to reach preliminary agreement with foreign creditor banks on rescheduling nearly half its $44bn foreign debt by the end of this month, said Mr William Rhodes of Citibank.

A BELGIAN court has granted Groupe Bruxelles Lambert 60 days to complete its takeover of publisher Dupuis without interference from rival bidder Editions Mondiales of France. Page 21

BARLOW RAND, the diversified South African mining and industrial group, increased operating profits 14.2 per cent to R901.9m ($512m) last year but suffered exchanges losses of R27m on foreign debts. Lex, Page 18; Details, Page 29

LUCAS INDUSTRIES, British aerospace and automotive components group, lifted pre-tax profits to £32.6m ($26m) from £2.1m in the year to July 31, on turnover £180m higher at £1.4bn. Page 22; Lex, Page 18

CHEMETALL, special chemicals subsidiary of the West German Metallgesellschaft group, is looking for opportunities to expand in the U.S. and south-east Asia. Page 21

THE 20 members of the Association of European Airlines (AEA) expect combined net profits of $690m in 1984, compared with $190m last year, a senior AEA spokesman said.

Lawson foresees £1.5bn tax cuts, continuing growth

BY MAX WILKINSON, ECONOMICS CORRESPONDENT, IN LONDON

MR NIGEL LAWSON, Britain's Chancellor of the Exchequer, yesterday held out the prospect of tax cuts worth £1.5bn ($1.9bn) in next year's budget as his autumn economic statement forecast a continuing recovery for the UK with the underlying rate of growth slowing to 2.5 per cent in 1985.

Mr Lawson's estimate of the scope for tax cuts is £500m less than the Treasury's last estimate in the spring, despite a £2.5bn "windfall" from North Sea oil revenues (because of sterling's weakness against the dollar) and an extra £1bn from increased sales of assets.

On the other side of his accounts Mr Lawson has had to cope with a £500m rise in debt interest compared with its last forecast, bringing the total to £16bn for both this financial year and next.

In addition, this year, his figures show an over-run of £1.5bn in the spending total, resulting from the exhaustion of the £2.75bn contingency reserve by programme spending and a further £1.5bn estimated cost of the miners' strike.

The comparable growth rate for this year is expected to be 3½ per cent. The effects of the miners' strike, however, are calculated to have reduced growth by about 1 percentage point this year, and a corresponding "bounce back" of the same amount is forecast for 1985.

British financial markets gave a cautious welcome to Mr Lawson's statement, but were sceptical about his ability to meet the public spending targets for 1985-86. The Chancellor of the Exchequer announced that the £1 note will cease to be produced next year. Page 18

Sterling gained half a cent on the day to close at $1.267 in London. Page 37

Main points of the economic statement include:

Inflation is forecast at an annual rate of 4¾ per cent in the fourth quarter of this year and 4½ per cent by the fourth quarter of 1985.

State spending is expected to rise in 1985-86 to £132bn, up 3.1 per cent in money terms compared with the expected total for this year. This is about the same as the 1984-85 planning total after taking account of inflation.

Output is expected to show a year-on-year increase of 3½ per cent in 1985 after a 2½ per cent rise this year, compared with the average for 1983. Without the miners' strike, growth this year would have been 3½ per cent, with 2¾ per cent in 1985, the statement said. Total national output in money terms expected to be £353bn in 1985-86, an increase of 7.8 per cent compared with the figure for 1984-85.

Public sector borrowing requirement is forecast as £8.5bn for the current financial year, compared with the forecast of £7.25bn made at the time of the March budget.

Nationalised industries' external financing limits are to be cut by £260m to £1.32bn compared with the budget plans. The Electricity Council will make net repayments of £1.13bn, compared with £740m in the current year. British Gas will make net repayments of £352m, compared with £100m this year, and the National Coal Board's borrowing limit will be cut from £1.1bn to £730m.

Exports are expected to rise by 5.5 per cent by volume this year and by 4.5 per cent next year. **Imports** are expected to grow 7.5 per cent this year and 4 per cent next year.

Investment is forecast to rise by 3 per cent next year, after 7.5 per cent this year.

Unemployment is forecast by the Government actuary at 3m, exclud-

Continued on Page 18

Clashes grow as more UK miners end strike

BY JOHN LLOYD, INDUSTRIAL EDITOR, IN LONDON

THE RECENT steady return to work by Britain's coal miners accelerated yesterday when 1,900 reported for work – a huge daily total by past standards and a figure described by the National Coal Board (NCB) as "stupendous."

Its price, however, was violence on South Yorkshire picket lines which police said was the worst experienced in the 36-week-old dispute over pit closures.

Among incidents reported were petrol bombs thrown, a police station besieged and oil and glass strewn on roads leading to pits.

The NCB said 56,000 miners were now at work out of a total workforce in the coalfields of about 180,000. It expected the "surge" back to continue, at least until next Monday the last date working miners will be eligible for a bonus to be paid to them before the Christmas break.

Mr Arthur Scargill, president of the National Union of Mineworkers (NUM) disputed the return-to-work figures. He said that the NCB's policy of "trying to bribe miners back to work" was not succeeding, and that "independent witnesses are now coming to the inescapable conclusion that the police are responsible for what is taking place in South Yorkshire."

Mr Michael Eaton, the NCB's spokesman, said that the return to work was prompted by "despair" on the part of miners that talks had failed. He added, however, that it was "not so significant that it alone can end the strike," and he appealed to the NUM executive, which meets in Sheffield on Thursday, to call a ballot vote.

The NCB said the return to work was spread throughout the country – although great regional variations were seen. North Derbyshire continues to lead, with 523 men returning to bring its proportion of working miners up to near a quarter; while in South Wales, 21 men returned to bring the total up to 54, or 0.1 per cent of the total.

Even in South Wales, there are strong signs of a desire to return to work. A branch meeting at South Celynen Colliery, where no miners have so far returned, voted by a large majority to call on the area executive to hold a delegate conference.

The surge of legal cases also continues – with a High Court decision yesterday ordering the NUM and its Durham area to call off pickets outside opencast mining sites in Durham.

The Durham area is likely to take the first disciplinary action against working miners. The area's seven-man disciplinary committee will review the cases of three working mines at Wearmouth Colliery.

In Dublin, the High Court made an order continuing the interim in-

Continued on Page 18

Record return, Page 9

Saudi Arabia imposes two-tier price structure for oil exports

BY DOMINIC LAWSON IN LONDON

SAUDI ARABIA has adopted a novel two-tier pricing structure for its export of oil – a move which effectively increases the price that customers outside the Arabian American Oil Company (Aramco) will have to pay for Saudi crude.

The collapse in world oil prices last month came largely because of a Saudi decision to change the mix of crudes in its export blend, substituting more of its cheaper, heavier crude for the more expensive lighter crudes.

The UK blames the move for the decision to cut North Sea prices, arguing that the change meant an effective reduction of 40 cents per barrel in the price of Saudi crude.

Saudi Arabia has now told major customers – apart from the Aramco partners Texaco, Socal, Exxon and Mobil – that they will have to return to the more expensive mix of blends for November liftings.

The Saudi move is seen as a strenuous attempt to raise spot prices so that Nigeria and North Sea producers will consider rescinding the official price cuts they made last month.

Customers for Saudi crude are astonished that the leading producer of the Organisation of Petroleum Exporting Countries (Opec), has seen fit to discriminate between its customers in this way. The Aramco partners have been told that they can continue to lift the cheaper, heavier export blend at least until the end of November.

Partly as a result of the Saudi decision, its production has dropped to very low levels, well beneath the 4.35m barrels a day to which it is entitled under the new restricted 16m b/d total Opec production ceiling agreed in Geneva last month.

It is believed that Saudi production is now running at little more than 3.8m b/d. Of this Aramco partners are thought to be lifting as much as 1.5m b/d.

Normally such a cut would herald very sharp rises in oil spot prices. Two factors have intervened. First, the winter in the northern hemisphere has been very mild, leading to lower-than-expected demand for Opec oil. Second, Iran has been offering increasingly wide discounts, and may even be exceeding the production levels agreed in Geneva.

It is believed that Iran is offering discounts of up to $1.65 per barrel of light crude, and discounts of about 80 cents on heavy crude.

It is likely that some customers may be switching away from the suddenly more expensive Saudi crude mix, into the increasingly discounted packages being offered by Iran.

Brussels pact on long-term budget control

BY QUENTIN PEEL IN BRUSSELS

EEC FOREIGN and finance ministers yesterday finally agreed on measures to impose long-term discipline on Community spending.

The deal, to be formally approved only after consultation with the European Parliament, amounts to the first comprehensive effort to restrain the growth of the Community budget, and in particular to control the increase in spending on the Common Agricultural Policy (CAP).

The agreement will also open the way for Britain and West Germany to pay their shares towards the Community's Ecu 1bn ($744m) emergency financing needs before the end of the year.

The agreement was welcomed by British officials as vindication of the UK Government's battle for budgetary discipline by setting out precise steps to keep the soaring growth of EEC farm spending below the growth rate of Community income.

It was greeted by M Michel Rocard, the French Agricuture Minister, previously leading opponent of the system, as allowing sufficient flexibility for the continued operation of the Common Agricultural Policy

Agricultural spending in recent years has increased by as much as 18 per cent a year, to finance the cost of huge surpluses of dairy produce, cereals, meat and wine. Officials estimate that the new deal could cut future growth of agricultural spending to single figures.

The finance ministers agreed to take as their starting point an average figure for agricultural spending in 1984 and 1985, which would allow the next round of farm prices to be fixed before the disciplinary system comes into effect. Thereafter, however, the rate of growth of CAP spending over any three-year period will have to be kept below the rate of increase of Community revenues, with any exceptional increases being "clawed back" in subsequent years.

The deal will not only restrict the growth of EEC farm spending, but also will put a limit on the growth rate of other costs, such as the regional and industrial programmes, from which the UK derived a much greater relative share. That has aroused an important objection from the European Parliament, whose members are angry that they have not been consulted in the whole process.

Mr Alan Dukes, the Irish Finance Minister and President of the Council, said the ministers had agreed to meet a delegation from the parliament next week to discuss how that institution might be involved in the whole process in the future, and

M Michel Rocard

they had put off any finalisation of the package until then.

The delay means that the British Government will delay asking Westminster for the extra funds it has agreed to contribute towards EEC spending this year, as part of Ecu 1bn ($744m) emergency finance.

The West German Government, which also refused to pay its share until budget discipline was finalised, will now recommend the deal to the Bundestag (parliament), said Herr Gerhard Stoltenberg, the West German Finance Minister.

The text of the agreement includes further significant concessions to member-states such as France which is a net recipient from the CAP. It is agreed that only the European Commission, and not individual member-states, can insist on the suspension of any policy which threatens to break the budgetary guidelines fixed by the finance ministers each year.

The ministers also agreed yesterday that the package would be reviewed before the exhaustion of the extra EEC revenues to be derived from increasing the VAT ceiling in 1986 from 1 to 1.4 per cent, but that it would continue to operate until any new decision was taken.

The final breakthrough came last night after the deal was referred by the finance ministers to the EEC foreign ministers.

Meanwhile, the Community's foreign ministers were yesterday attempting to reach agreed proposals to present to Spain and Portugal as part of the negotiations for their accession to the Community.

Little progress was made on key problem areas, including Spanish exports of fruit and vegetables, and the incorporation of the large Spanish fishing fleet into the Common Fisheries Policy.

MEPs square up for budget bout, Page 3

Shuttle catches wayward satellite

By Terry Dodsworth in New York and John Moore in London

NASA, the U.S. space authority, chalked up another first in space yesterday when Discovery, its shuttle craft, caught and retrieved the wayward Palapa communications satellite in a difficult manned manoeuvre.

"Stop the clock. I've got it tied," called astronaut Joe Allen as he speared the satellite's spent engine nozzle with a four-foot pole called a "stinger" and stopped it rotating.

Mr Allen, who had previously flown over to the satellite using his rocket-powered backpack, then jockeyed Palapa closer to the spacecraft, bringing it within reach of Discovery's robot grappling arm. Back in the cargo bay, the docking team hit an initial problem in berthing the 21-foot high satellite, but Nasa was confident that the astronauts could improvise a solution.

"Everything went like clockwork," Nasa said.

Palapa's rescue is the first of two planned Satellite retrievals on the current shuttle mission, which is intended to bring them both back to Earth for refurbishing and resale.

The Palapa and the Westar Telecommunications satellites sailed off into useless orbit when their booster rockets misfired after lauch on previous shuttle missions earlier in the year. Nasa is planning to catch and snare Westar on Wednesday.

Insurance underwriters in London welcomed the Palapa recovery but warned that there would be substantial increases in the cost of insurance on communication satellite programmes.

"Regardless of what has happened today," Mr Richard Maylan, a leading space satellite insurer at Lloyd's, said "all new risks face substantial rate increases."

It is expected that shuttle rates will double from 5 per cent to 10 per cent of the value of the satellite launched. Around $30m of the world's $100m-plus space insurance business is arranged with Lloyd's, but Lloyd's lays off up to 80 per cent or more of that business with hundreds of reinsurance companies to protest itself against onerous losses.

The malfunction of Palapa B-2 and Wester 6 cost underwriters $75m and $105m respectively. The Lloyd's-led consortium of insurers is looking to a successful recovery of both satellites in order to save more than $25m in its total payout on the claims.

As part of the deal for paying out claims underwriters have taken over the title on the space satellites. The Palapa B-2 is to be relaunched

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CONTENTS

EUROPEAN NEWS

CHINESE OFFICIALS accompanying President Li Xiannian on a five-day state visit to Spain, which began yesterday, will brief their hosts on the negotiations between Peking and London over Hong Kong, according to Madrid diplomats writes Tom Burns in Madrid.

The Hong Kong agreement is seen in Spain as important to Madrid's own attempt to recover sovereignty over Gibraltar. The Hong Kong question will be discussed in talks between Wu Xueqian, China's Foreign Minister, and his Spanish counterpart, Sr Fernando Moran, when they meet later this week, the diplomats said. The latter minister is at present in Brussels attending a negotiating session on Spain's prospective membership of the European Community.

Li Xiannian (75), who holds the largely ceremonial post of President and is said to rank fifth in the Chinese Communist Party hierarchy, is visiting Spain on the first leg of a European tour which will take him also to Portugal and Malta.

Officials said the Madrid visit would be mainly a protocol one in return for that paid by King Juan Carlos to China in 1978. The two are seen above on the President's arrival. On the agenda are an exchange of notes for the opening of consulates in Barcelona and Shanghai and a series of industrial and economic agreements to increase the modest $109m volume of trade between the two countries.

Polish group to counter violence by authorities

BY CHRISTOPHER BOBINSKI IN WARSAW

A GROUP of former Solidarity activists, dissidents and intellectuals have established a "committee against violence" in Warsaw following the murder of Fr Jerzy Popieluszko by three security men last month. It will seek to defend victims of police violence *outside* the law by publishing case studies and demanding official action.

It has demanded the re-opening of the investigation into the deaths of Mr Grzegorz Przemyk and Mr Piotr Bartoszcze. The former, a 19-year-old student, died after a beating at a Warsaw police station in May last year. Two policemen were subsequently cleared because of insufficient evidence.

Mr Bartoszcze, a Rural Solidarity activist, was found dead earlier this year after what the authorities said was a car accident. But many people believe he was the victim of plain-clothes security men.

The committee expresses the hope that official promises about putting an end to "police terror" will "this time turn out to be true."

W. German banks assail Post Office 'poaching'

By Jonathan Carr in Bonn

THE West German banks are fast losing patience with the Bundespost, the federal Post Office, which they say is encroaching "aggressively" on their patch.

The Federation of German Banks (BDB), complained yesterday, that the Bundespost was boosting its involvement in "classic" banking activities, like overdraft facilities and foreign currency exchange.

Moreover, the BDB said, the Post Office was spending lots of money on a nationwide advertising campaign to "try to give the impression" that its services were more advantageous than those of the banks.

In fact, most of the Bundespost's banking activities had long been in the red, the banks remarked. The deficit was paid for with profits earned from its monopoly telephone service.

The banks argue that there is plenty of competition in the banking sector already, and that it is not the place of a state enterprise to muscle in.

Against that, the Bundespost says it has been in the semi-banking business for decades and is simply keeping up with the times by offering improved facilities.

This is only the latest dispute over who does what in the West German financial world. Over the past year, insurance companies have complained that the banks have exceeded their true function by offering savings schemes with an insurance bonus.

Hungary in pact with Moscow

THE Soviet Union and Hungary are to work out a programme of economic and scientific co-operation up to the year 2000, the official news agency Tass announced yesterday after talks between Soviet and Hungarian leaders, AP reports from Moscow.

"Much attention was devoted to a further deepening of specialisation and co-operation in the manufactureing industries and the working out of new bilateral agreements in this sphere of co-operation," Tass said.

Tempting 'illusion' of Irish exports growth

Brendan Keenan on the impact of multinationals

THE IMPACT of foreign companies which have moved to Ireland in the last 15 years is so great that much Irish economic data are "distroted and suspect," according to one economist.

Foreign companies, mostly American, account for 40 per cent of employment in Irish manufacturing and 80 per cent in manufactured exports. Some leading economists believe their internal pricing policies may have led to figures for Irish exports being exaggerated, imports being under-recorded and gross domestic product overstated.

The issue surfaced again recently when an internal central bank paper on the topic was leaked to Irish television. It was written by Dr Patrick Honohan, an economic adviser in the prime minister's department, and suggested that, on the worst assumption, 5 per cent of recorded GNP could have been, in effect, fictitious.

Dr Honohan's paper was written before a major revision of official statistics last May, designed in part to reflect the impact of the multinationals. The new figures greatly increased estimates of the profits of multinationals and the amount of those profits which are repatriated and calculated that foreign companies earned I£1.1bn (£916.6m) profits in Ireland last year and repatriated I£500m.

About I£500m was transferred in the national accounts from a capital outflow to payments abroad. In other words, what had been calculated as investments by Irish people and businesses overseas—for want of a better explanation — was revealed as repatriation of profits abroad by multinational companies.

Mr Allan Dukes, the Finance Minister, says these revisions mean Dr Honohan's warnings are out of date, but economists are not convinced. Mr Jim O'Leary, a member of the Irish National Planning Board, argues that the emphasis which has been picked on the growth of Irish exports may be illusory.

At issue is the question of multinational transfer-pricing, *where companies undervalue* their imports from subsidiaries and sell their exports at an artificially high price, in order to maximise the profits accruing in a particular location.

Tax allowances

On the face of it, Ireland's generous tax allowances provide a strong incentive for transfer-pricing. Most foreign companies pay no tax on their export earnings, while more recent arrivals pay 10 per cent.

Transfer pricing could also help explain the surprisingly weak relationship between the growth in Irish exports and general economic growth. Exports make up 52 per cent of Irish GNP, a high figure by international standards. Yet, although exports grew in volume by an average eight per cent a year between 1974-83, GNP growth in the same period averaged only two per cent.

Perhaps the best, if circumstantial, evidence of transfer-pricing comes in the high productivity figures for industries such as pharmaceuticals and electronics. According to the official statistics, output per employee in chemicals and office machinery, which includes the burgeoning electronics sector, was over I£30,000. In pharmaceuticals the figure is over I£75,000.

It is true that productivity is high in these new technology industries but Dr Honohan's paper found no corresponding figures in other European countries for the same industries. Nor could they be explained by particularly high levels of capital investment. Mr Dukes claimed the discrepancy was due to the fact that the Irish plants are nearly all new, employing the latest technology, *but that can* hardly account for a situation where value added per employee in Ireland is almost twice the EEC average.

Have the Irish been fooling themselves about their booming exports and Japanese-style productivity improvements? One difficulty is that not everything is attributable to transfer-pricing. Companies may be amortising the costs of research and development outside Ireland in the prices they charge for the output from their Irish plants, as well as the costs of administration, distribution and marketing.

Such activities, typically, are not carried out in Ireland and the *lack* of them *has* been identified as a weakness in the country's industrial strategy. The Industrial Development Authority (IDA) regards the attraction of such operations to Ireland as a key part of its strategy. In the meantime, however, earnings are attributed to Ireland which did not really originate in the country.

Transfer pricing

On top of these legitimate pricing policies, multinationals may also be engaged in transfer-pricing, but no one can tell to what extent. "The Irish system of national accounts was not devised to deal satisfactorily with these issues, indeed it was devised at a time when these *issues were of little significance*, Mr O'Leary said in last month's Irish Banking Review.

IDA officials make the point that, even if the claims of transfer-pricing were correct—*although they maintain they are* exaggerated—the presence of the multinationals has benefited Ireland. Foreign companies spent almost I£2bn in Ireland last year on wages, services and raw materials and received I£156m in grants and aid.

Some commentators have argued that, if Ireland's tax breaks are so attractive, there is no need for the generous capital grants as well but IDA argues strongly that the country cannot afford to reduce its incentives at a time when *competition* for mobile investment has never been keener.

The biggest headache is for economic planners, who rely on published data for exports and industrial output in assessing economic performance

Proposals from the EEC Commission on customs documentation would make transfer-*pricing more difficult* implemented, but the spectre that haunts some Irish observers is that the multinationals may have come to Ireland precisely because of the opportunity it offers for tax avoidance.

It should be possible to find out more about what is going on in the Irish economy with better co-ordination of data. IDA has been working from its own surveys rather than official statistics *for* some years. Further revisions are likely, so Irish planners will at least have a better idea of where they are going, even if they have not been where they imagined.

E. German embassy occupation crumbles

BY LESLIE COLITT IN BERLIN

THE "OCCUPATION" of the West German embassy in Prague by East Germans seeking to emigrate crumbled further yesterday when about 50 East Germans prepared to return home. Late last week the first groups *totalling 50 East Germans* left the embassy for East Germany with the encouragement of the West German Government. The occupation began more than six *weeks ago*.

About 55 East Germans in the embassy have said they want to remain until they are given guaran*tees that they will be allowed out to* the West. An estimated 30 East Germans are camped in the West German embassies in Warsaw, Budapest and Bucharest.

East Germany has said only that its returning citizens will not be prosecuted this time and that their applications to emigrate to West *Germany will be considered.*

● The spokeswoman of the environmentalist Greens party in the West German Bundestag, Frau Antje Vollmer, said after talks with *a senior East German official that* East Germany might lift its ban on the entry of Greens members. They have been turned back at the border because East Germany does not *wish them to contact members of* the unofficial East German peace movement.

VW formally signs engine factory deal

By Rupert Cornwell in Bonn

VOLKSWAGEN yesterday formally signed in East Berlin its keenly awaited agreement to supply a car engine assembly plant to East Germany, as well as deliver light vans.

A spokesman for the West German car group said last night details of the final accord, which will run until 1993, would be made available today. These are expected to contain some variations from the draft which emerged nine months ago.

That provided for a deal worth about DM 600m ($204m). It involved *the delivery of equipment for an* engine assembly line capable of producing some 300,000 units annually.

Austria to encourage high-tech research

BY PATRICK BLUM IN VIENNA

THE AUSTRIAN Government will provide Sch 1bn (*$47.8m*) *to help* locally based companies to research, develop and manufacture new high technology products. Grants are to be made available to foreign investors wishing to establish themselves in Austria as well as to foreign and Austrian companies already based there.

The programme will start in January and run for three years. About Sch 250m will be allocated for research and the remaining Sch 750m for direct investment, including training for workers.

The aim is to help industries, especially small and medium ones, to use microelectronics and enter new fields *of specialised* electronics production in key areas, such as in the manufacture of telephone systems.

● Voest Alpine, the Austrian state-owned steel, engineering and electronics group, has won a Sch 800m ($37.8) contract to build and equip a continuous casting steel plant in South Africa.

The plant will be built at Vanderbijlpark, south of Johannesburg, for the South African steel concern, Iscor.

Construction will take 30 months and the plant will produce 1.7m tonnes of semi-finished steel slabs annually.

Mitterrand condemns wave of violence

BY PAUL BETTS IN PARIS

PRESIDENT François Mitterrand condemned what he called a growing wave of violence in France during an unexpected visit yesterday to the Paris morgue to pay his respects to a dead immigrant worker shot during a labour conflict at the weekend.

Mr Kemal Ozgul, a young Turkish worker and a member of the pro-Communist CGT union, was killed by gunfire on Saturday when, together with about 40 other workers facing redundancy, he tried to occupy a factory near Paris. Three other workers were wounded.

As police continued questioning the owners of the small construction business and guards about the shootings, the CGT union called on a nationwide token stoppage of a quarter of an hour today in protest at the incident.

The CGT has tried to inflate the affair into a major political issue and is also organising a protest demonstration today outside the Paris headquarters of the Patronat, the French employers confederation.

For its part, the Patronat has condemned the CGT's efforts to blame the shootings on the deterioration of labour relations in France. Despite broad condemnation of the killing from senior political figures, including the Labour and Finance Ministers, the main parties have sought to avoid a serious political controversy.

The other labour confederations, which have all expressed horror over the incident, have decided not to respond to the CGT's call.

Many observers believe that the CGT is trying to rally broader support around the union by exploiting the emotions caused by the shootings. In recent months, the leadership has been striving to regain momentum over a disillusioned and disenchanted rank and file.

But President Mitterrand's surprise visit to the morgue yesterday with M Pierre Joxe, the Interior Minister, also reflects the Government's concern over the rise of violence and racial intolerance. Barely 24 hours after the killing, a 22-year-old gunman ran amok in an immigrant cafe in a small town in Brittany, killing two Turkish immigrants and wounding five others.

The President in the past has gone to the scene of atrocities, like the bombing of Orly Airport, or paid his personal respects to victims of such crimes.

High growth rate boosts Italy's trade deficit

By James Buxton in Rome

ITALY recorded in September its second biggest monthly trade deficit for this year. Imports exceeded exports by L2,000bn (£862m) and the deficit for the first nine months of 1984 amounted to L12,989bn, almost L3,000bn more than the equivalent figure for 1983.

Exports in the first nine months of the year were up 18.4 per cent compared with the same period of 1983 at L11,162bn. Imports were up 17 per cent at L13,162bn.

The trade figures reflect the fact that the Italian economy is growing relatively fast—gross domestic product is expected to rise by a real 2.8 per cent this year. The growing economy inevitably sucks in more imports, especially of energy products. Companies are also rebuilding their inventories.

Though Italian exports are doing fairly well this year, Italy has suffered in its biggest single market, West Germany, from the relative strength of the lire against the Deutsche-mark, and in its second biggest, France, from weak demand. These two markets between them take 30 per cent of Italian exports.

In the first eight months of this year exports to West Germany rose by 15 per cent, while those to France were up by only 9 per cent.

The weakness of the lire against the dollar enabled Italy to increase its exports to the U.S. by 62 per cent in the first eight months of this year. Sales to Britain rose 27 per cent.

● An Italian accused of helping Sig Licio Gelli, leader of the secret P-2 Masonic lodge, to escape from a Geneva prison was remanded in custody by a Swiss magistrate yesterday. Elvio Lombardi (46), Gelli's former chauffeur who was extradited from Uruguay a week ago, was charged with bribing a warder and helping Gelli flee to France, Reuter reports from Geneva. Gelli disappeared from Champ-Dollon jail in August last year shortly before he was to be extradited to Italy.

The present whereabouts of Gelli are unknown, but opposition leaders in Uruguay say he is living there.

MEPs are squaring up for another bruising battle, writes **Quentin Peel**

Seconds-out for EEC budget bout

THE ANNUAL round of budgetary blood-letting in the European Community is upon us and members of the European Parliament, normally a most frustrated body of men and women, are spoiling for a scrap.

As the mid-autumn leaves settle in the streets of Strasbourg, MEPs yesterday began to foregather for what promises to be a bruising bout of institutional fisticuffs over the spending plans of the Community for the coming year.

It is the one occasion on which the 434-strong Parliament actually has a few muscles to flex, for it can amend and ultimately even reject, the draft budget proposed by the 10 member states in the Council of Ministers.

This time, its members are also being offered an added bonus of being able to deliver a parting slap in the face to the *outgoing European Commission*—for they are being asked to give their blessing, or condemnation, to the way in which that body of men operated their budget back in 1982.

The prospects for an outright confrontation between the three Community institutions responsible for the budget process are real, for the 1985 budget which the Council has presented to Parliament represents no more than a half-hearted compromise between the 10 member states, who are unable to agree how they will finance their committed spending for the whole of 1985.

At the same time, the frustrations of the new intake of MEPs, elected last June, have been growing steadily as both the Council of Ministers and the European Commission have been seen to pay scant attention to their demands.

In the eyes of most of the members themselves, they remain the last true standard-bearers of European ideals, with the Council dominated by the national interests of its member states, and the Commission able to do no more than service those interests.

The budget committee of the Parliament has singled out three areas on which they propose to do battle: one concerns how Britain's promised budget rebate is to be paid; another is how the inevitable overspending in the 1985 budget will be financed and the third is the whole question of longer-term budgetary discipline and who will be responsible for imposing controls on farm spending in particular.

The frustrations of the new intake of MEPs elected last June have been growing steadily as both the Council of Ministers and the European Commission have been seen to pay scant attention to their demands. In the eyes of most members, they are the last true standard-bearers of European ideals.

In addition, the MEPs are being asked to give a formal "discharge" to the European Commission for its execution of the budget in 1982, and the two bigger groups—the Socialists and Christian Democrats—want to vote against it, effectively passing a vote of no confidence in that body.

On the question of Britain's Ecu 1bn (£590m) rebate next year, the MEPs say it should be paid back in the form of fixed spending plans—in areas such as urban renewal, job creation, transport and energy—rather than simply take the form of reduced budget contributions, as the Council of Ministers has agreed. The importance of the change is that Parliament would control the former, but not the latter.

In fact, the ministers were unable to decide how the money will be found for Britain's Ecu 1bn, nor how to finance an extra Ecu 1.3bn in farm spending above the existing limit on EEC revenues. So they have simply sent a budget to the Parliament covering about 10 months' spending, with an attached letter promising to find some way of paying the difference in the course of the year.

The budget committee insists that the plans must cover the full 12 months and they say that the member states must, therefore, pay an advance increase in their contributions to finance the shortfall. The problem is that West Germany, in particular, has been adamant that any such increase in contributions—from the present 1 per cent VAT ceiling to 1.4 per cent—must be tied to the date of enlargement of the Community, which means not before January 1, 1986, when Spain and Portugal are supposed to join.

As for the question of budget discipline, the MEPs are furious that the Council of Ministers has all but approved a plan to set an annual ceiling on spending increases, without allowing for the Parliament to be consulted.

Their concern is that although the original intention of budgetary discipline was to control the inexorable increase in farm spending, which Parliament cannot touch, the package may eventually prove more effective in restraining non-agricultural policies, over which Parliament has some authority.

The presidents of the three institutions met before the weekend and agreed that the foreign ministers should meet a parliamentary delegation later in the month in an effort to settle their disagreement. In the meantime, Parliament will be asked to spell out the system of control which it would like to see.

The one area in which the MEPs are likely to get their way is in adding some Ecu 385m to the Ecu 25.9bn draft budget, the full amount they are allowed under an agreed "margin" with the Council. The money will go to Third World aid, industrial and research policies, and regional and social policies in particular.

On the other questions, the most likely outcome must be deadlock with the Council, precipitating an outright rejection of the budget by the Parliament in December.

That in itself would not necessarily be too disastrous, for the Commission would then simply carry on spending one-twelfth of the present year's budget each month, until a new budget is approved.

The MEPs must therefore decide whether they intend to make what will, in the final analysis, be a rather empty gesture, or whether they will back down in the face of the inevitable recognition that all Community decisions are the product of half-baked compromises.

Statoil 'should take part in gas field plan'

By Fay Gjester in Oslo

NORWAY'S GOVERNMENT recommends that Statoil, the state oil company, should continue participating in plans to develop the West Troll gas field in the Norwegian sector of the North Sea in a White Paper, tabled at the weekend. The policy document covers the state's involvement in offshore petroleum activities next year.

The Government normally publishes a White Paper each November dealing with Statoil's plans for the coming year. From January 1 – as a result of a recently approved scheme to reform Statoil's status – the state is acquiring responsibility for part of Statoil's stakes in several Norwegian shelf licences. Therefore the autumn White Paper on Statoil will in future also cover the state's offshore commitments, with estimated expenditure and income for the coming year.

Shell is the operator of the western part of the giant Troll gas field, believed to contain 462bn cubic metres of gas and 58m cu m of oil. Its other partners on West Troll, besides Statoil, are Norsk Hydro, Conoco, and Superior. All three have endorsed the declaration of commerciality.

Ford 'would import cars from Brazil'

BY KENNETH GOODING IN TURIN

FORD WOULD import to Europe low-cost cars from Brazil or Mazda, its associate in Japan, if that was the only way to maintain a reasonable and profitable market presence, said Mr Gordon McKenzie, vice-president (sales and marketing) of Ford of Europe, yesterday.

He was responding to questions about Ford's position as current European car market leader and he stressed the company would prefer to supply cars from its European plants. "But if necessary we would take a pragmatic approach and bring them in from Brazil or Japan. If we brought them in from those countries it would be a matter of economics," he added.

He pointed out that Ford was already importing Escorts from its Brazilian subsidiary for sale in Norway, Sweden, Finland, Denmark and Switzerland to compete with low Japanese car prices in those countries.

Mr McKenzie said the outcome of Ford's race this year with Fiat of Italy for European car sales leadership would be decided by the performances of the UK and Italian markets. Ford is stronger in the UK and Fiat dominates Italy.

Mr McKenzie said he expected total West European car sales next year to improve slightly from about 10m in 1984 and that Ford's market share should improve again because the company would have its busiest year ever for new products – including the introduction of the Granada replacement in May. This top-of-the-range car is very important for Ford's prospects in West Germany and the UK.

Mr McKenzie indicated that although over-capacity would continue to dog the car industry for some years, there were signs that manufacturers were using "other weapons apart from price." He said: "I would hope that in 1985 throughout Europe the market will be more orderly than it has been recently."

Ford expects to hold its European market share at 12.5 per cent to 13 per cent in the long term, said Mr McKenzie, and should be able to earn $1bn a year again in Europe – "but not next year."

He was speaking during the run-up to the Turin motor show after Ford revealed it would return to motor sports next year with a factory-sponsored mid-engined, 240 km/h rally car called the RS 200.

Malta urges Mediterranean N-ban

BY KEVIN DONE, NORDIC CORRESPONDENT IN STOCKHOLM

MALTA IS seeking a pledge from Nato, the Warsaw Pact and other states participating in the 35-nation European security conference to ban the stationing of nuclear weapons in the Mediterranean.

Malta has consistently tried to broaden the scope of the CSCE (Conference on Security and Co-operation in Europe) process to include the issue of Mediterranean security. CSCE decisions must be taken unanimously and Malta has often tried to exploit this principle by blocking final agreements in an attempt to pursue Mediterranean security issues.

Yesterday it tabled formal proposals to the Stockholm conference, which is seeking to negotiate specific new confidence and security building measures in Europe.

Malta called on participating nations — they include all European states (except Albania) plus the U.S. and Canada — to undertake not to station nuclear weapons in Mediterranean waters.

In addition, it is seeking measures for the exchange of information about the size and structure of armed personnel in the Mediterranean, the notification of naval manoeuvres and constraints on the size of manoeuvres.

Equally it is seeking a pledge that air, sea and land forces in the Mediterranean area will only be used in self-defence.

Orders falling in West Germany, says car chief

MUNICH — A debate over possible speed limits in West Germany and government plans to reduce exhaust emission levels has unsettled the domestic car market and is dampening new orders, according to Herr Hans-Erdmann Schoenbeck, president of the motor industry association.

He said domestic car sales are likely to fall next year to 2.2m-2.4m.

Reuter

Five killed in new S African violence

BY ANTHONY ROBINSON IN JOHANNESBURG

THE increasingly bitter political nature of the continuing violence in black South African townships was underlined yesterday by the death of five people when their shack was set on fire in the township of Daveyton, east of Johannesburg, apparently in retaliation for not taking part in last week's two-day "work stay-away."

In a separate incident over the weekend, a black town councillor, Mr Malachi "Lucky" Mogorosi was shot dead as he closed his shop in the township of Katlehong, scene of some of the fiercest street fighting against high rents and the black education system in recent months.

At least five town councillors have now lost their lives since the latest round of rioting erupted on September 3, and many have had to flee the townships to escape attacks on themselves and their property.

Last week, a further 11 town councillors resigned in the townships of Duduza and Tembisa in the face of threats against them and their families.

Black councillors, especially those considered to have abused their position, have been among the major targets of black violence.

What started as a largley economic protest against rent rises and poor school conditions has become increasingly politicised.

Government attempts to quell the violence by army and police repression or the wholesale dismissal of migrant workers, appear to have fuelled rather than cooled long-standing resentments.

More than 1,000 people have been arrested over the past week as the police have actively sought out organisers of the work "stay-away" and the school boycott, as well as unofficial community leaders, including several priests.

The army has also been used extensively to back up police search- and crowd-control-operations, but a news clampdown has been ordered to prevent details of their deployment.

Mr Louis Le Grange, Minister for Law and Order, has also again hinted strongly that the authorities may be preparing to ban the United Democratic Front, a coalition of opposition parties which organised last week's "stay-away."

Mugabe sacks last two Zapu Cabinet Ministers

BY TONY HAWKINS IN HARARE

ZIMBABWE moved a further step along the road towards the promised one-party state yesterday when Prime Minister Robert Mugabe dismissed the two remaining Cabinet-rank Zapu members from his Government.

Mr Mugabe was reacting to the murder last week of a Zanu-PF Senator, Mr Moven Ndlovu, who was killed in the border town of Beit Bridge by dissidents whom the Government here claims support Mr Joshua Nkomo's opposition Zapu.

The Zimbabwe leader said it was naive to believe that "in circumstances of grim realities, Zapu is still an ally for the consolidation of peace when its activities point in the opposite direction."

Mr Mugabe said he had decided to dismiss from the Cabinet Mr Cephas Msipa, Secretary-General of Zapu and Minister Responsible for Water Development, and Mr John Nkomo—no relation of Mr Joshua Nkomo—who was a Minister of State in the Deputy Prime Minister's Office.

These dismissals leave two Zapu party members—Mrs Jane Ngwenya and Mr Daniel Ngwenya—holding ministerial rank.

After the independence elections in Zimbabwe in April 1980 Mr Mugabe established a coalition Cabinet with members from both the main nationalist parties—his own Zanu-PF and Mr Joshla Nkomo's Zapu.

Mr Nkomo and other top Zapu officials were dismissed from the Cabinet nearly three years ago.

The two parties are preparing for Zimbabwe's first post-independence elections due to be held in March or April next year.

Mr Mugabe's Zanu-PF is planning to go to the polls seeking a mandate for a one-party state but this is bitterly opposed by Zapu.

Bid to start up Israeli withdrawal negotiations

By David Lennon in Tel Aviv and Nora Boustany in Beirut

U.S. AND UN officials were last night engaged in vigorous efforts to renew the military talks on an Israeli withdrawal from Lebanon.

The talks were suspended by the Beirut Government after Israel arrested four leaders of the Shi'its Amal militia in Southern Lebanon last Thursday.

Instead of resumed negotiations, yesterday was marked by stepped-up guerrilla operations against Israeli forces in southern Lebanon.

Defiant demonstrators in Sidon and Tyre set up blazing barricades which were later dismantled by Israeli soldiers and their local allies, militias of the Israeli-trained and equipped South Lebanon Army.

Mr Richard Murphy, the U.S. Assistant Secretary of State, met yesterday morning with Israel's Defence Minister, Mr Yitzhak Rabin, and other senior officials before flying to Beirut for meetings with President Amin Gemmyel and Prime Minister Rashid Karami. Mr Murphy told reporters he believed that the withdrawal talks would soon be resumed.

The Lebanese want the Amal leaders released unconditionally, while Israel says there must be a Shi'ite undertaking to halt attacks on Israeli forces before the release can be considered.

Meanwhile, Israel Radio said yesterday that Egypt has confirmed that it will send a special envoy to Israel to explore the possibility of a summit meeting between President Hosni Mubarak of Egypt and Israel's Prime Minister, Mr Shimon Peres.

The Israeli Premier told a meeting of the Jewish American Hadassah Organisation that he has invited the Egyptian leader to meet him on the Israel-Egyptian border.

President Mubarak has already said that such a meeting should be well prepared. This means Egypt would expect substantial concessions from Israel on such issues as Egypt's claim to Taba, a small area in Sinai near the Israeli port of Eilat, and an Israeli commitment to withdraw from Lebanon.

Editorial ocmment, Page 22

Chris Sherwell and Boonsong K'Thana on Gen Prem's role as mediator

Thai politics survive rifts over devaluation

FEW DECISIONS have better illustrated the divisions in Thai politics—and the vital mediating role of General Prem Tinsulanonda, the Prime Minister—than the move 10 days ago to devalue the baht.

The key rift appears to be between Mr Sommai Hoontrakul, the powerful technocrat Finance Minister who engineered the 14.8 per cent devaluation and General Arthit Kamlang-ek, the army chief who has long opposed such a move and was out of the country when it occurred.

At the weekend, Gen Arthit seemed to be standing by the tough demands he made in a television broadcast last Wednesday for a reversal of the devaluation and a cabinet reshuffle. But yesterday, after a reported Sunday meeting with Gen Prem, he was said to have backed away from these demands, bringing a calmer atmosphere to Bangkok.

This is the second time in three months that the position of Gen Prem, a former army chief himself and the longest serving premier in a decade, has been called into question. In August there were dark hints of a possible coup as a long-standing demand that serving military officers be allowed to hold cabinet posts resurfaced.

Gen Prem has since been unwell, which futher unsettled the political scene, but he clearly sided with Mr Sommai on the devaluation question, just as he had done in August when Mr Sommai pressed for the sacking of Mr Nukul Prachuabmoh, the central bank governor, a move almost certainly related to the currency adjustment.

Economists and bankers have long believed that the deterioration in Thailand's external accounts made such an adjustment necessary, and that it might even have been smaller had it been made earlier. But the last devaluation, in 1981, was the first in three decades and controversial to boot, so the issue was thought to be too sensitive politically with the army openly against the idea.

Now, having been pegged securely against an inexorably rising U.S. dollar, the baht is actually floating against a basket of currencies belonging to Thailand's main trading partners. Ironically, and helpfully, it has even appreciated slightly from its new level at the beginning of last week of 27 to the U.S. dollar.

The complaints have nevertheless been loud. Some cabinet ministers have let their objections be known, although the four parties forming the coalition government have all backed Gen Prem. And the Chart Thai opposition party, which has close links to the army, has sought a recall of parliament.

It may yet be necessary for some face-saving compromise to be forged in order to repair the rift between Gen Arthit and Gen Prem, but it seems unlikely to involve the removal of Mr Sommai, however unpopular he may have made himself.

This is not the first time Gen Arthit and Mr Sommai have crossed swords. The Finance Minister recently pushed for a law against the so-called chit funds, which offer investors unusually high rates of return outside the banking system. Gen Arthit objected. Mr Sommai has also been less than enthusiastic over Gen Arthit's plans to purchase highly sophisticated F16-100 fighter jets from the U.S.

Gen. Prem. Tinsulanonda

The devaluation means the estimated $400m-500m (£315m-£394m) cost of these has gone up together with the cost of other hardware purchases. Last Friday Mr Sommai, in a move to quell army concern, promised a budget adjustment to prevent serious spending cuts. Other government sectors and industries, making purchases abroad may be assisted too.

To cushion the blow further, the government has also imposed stocking and price controls on 26 key items and removed a 20 per cent surcharge on 1,400 imported items. This may help curb the inflationary impact of the devaluation, about which labour unions have complained, although prices are still expected to rise six per cent in 1985, double the originally projected rate.

Moreover, additional strains are likely to be imposed in the short term on the Government's revenues, with the domestic budget already in deficit. Repayments on Thailand's external debt, now estimated at $13bn if both public and private sector debt are included, will be particularly affected.

Principal and interest repayments are already the biggest single item of expenditure in the current budget and the devaluation means this will rise further in baht terms. There is little room to trim development spending, so some difficult times may be looming on this front.

The external accounts, on the other hand, can be expected to improve. Thailand is the world's largest rice exporter, so major benefits will go to farmers, who form a majority of the country's 50m population, and to other exporters. The central bank has already forecast that the trade deficit in 1985 will be about $2.1bn, significantly better than it might have been without the currency change and well down on the unsettling 1983 record figure of $3.87bn. The current account deficit is also expected to be less than half 1983s record $2.85bn.

For all this, the pressure on Gen Prem cannot be expected to relent. But he has displayed remarkable calm and assurance in the latest crisis. And while Thailand's past history of coups remains a constant source of worry, the solidity offered by an influential monarchy, a strong civil service and underlying economic resilience will continue to help him and the country.

PLO talks call hits snag

BY OUR MIDDLE EAST STAFF

THE ATTEMPT by Mr Yasser Arafat, chairman of the Palestine Liberation Organisation, to call a meeting of the policy-forming Palestine National Council ran into fresh difficulties yesterday.

His request was rejected by Mr Khaled Fahoum, the Speaker of the PNC, who warned that if the session went ahead it would only provoke another Palestinian crisis.

Mr Arafat, together with other members of the majority Fatah group within the PLO, had provisionally agreed on November 22 for the PNC session to be held in Amman, the Jordanian capital.

However Mr Arafat's proposal has been bitterly opposed by Palestinian factions based in Syria.

They wish Mr Arafat to be replaced as PLO chairman and fear he is preparing to link with Jordan and Egypt in a fresh approach to the U.S. over President Reagan's proposals for a settlement set out in September 1982.

The PLO executive could technically over-ride Mr Fahoum's refusal to summon a meeting of the Palestine National Council. But it is unclear whether Mr Arafat could win majority support for such a course of action.

The last meeting of the PNC was held in Algeria in February 1983.

Black market crackdown

BY DAVID LENNON IN TEL AVIV

THE Israeli police staged a demonstrative crackdown on the currency black market yesterday, chasing the traders off the streets in the three main cities.

The black market flourished following the re-introduction of foreign currency controls last year. The dollar generally trades on the black market at about 10 per cent above the official rate.

Yesterday's action was regarded as more cosmetic than real, as the street trading, while a blatant flouting of the law, involves relatively small sums compared to that carried out by illegal private banks.

More serious was the move to shut down the official money-changers in Arab East Jerusalem. The Arab money-changers operated in East Jerusalem when it was captured from Jordan in 1967, and they were allowed to continue in business.

The police yesterday issued an order that within six days all but 13 licensed dealers must shut up shop. The 13 exempted from immediate closure are restricted to dealing in Jordanian dinars, and then only for customers holding Jordanian passports.

Veteran currency dealers in East Jerusalem said they would appeal to the courts to have this order rescinded.

Gandhi calls for end to government corruption

By John Elliott in New Delhi

AN END to corruption, and the adoption of a "new work ethic" in government, were demanded last night by Mr Rajiv Gandhi, India's new Prime Minister.

In his first comprehensive policy statement since he became Prime Minister two weeks ago tomorrow, Mr Gandhi announced the continuation of broad domestic and foreign policies of the administration of his late mother, Mrs Indira Gandhi, who was assassinated on October 31.

Official mourning for Mrs Gandhi ended yesterday and Mr Gandhi went to his office in the Cabinet Secretariat for his first full working-day.

He was elected President of the ruling Congress I Party, which means he holds the top posts in the general party organisation as well as in parliament, and he is expected to go ahead with a general election soon.

Two of his close aides, both MPs, were yesterday appointed to key posts. Mr Arun Nehru was made a general secretary of Congress I, the post Mr Gandhi held before he became Prime Minister.

Mr Arun Singh becomes Parliamentary Secretary to Mr Gandhi, reviving the post after a gap of 13 years.

In a national broadcast last night, Mr Gandhi read his speech in sombre tones.

"No quarter will be given to the corrupt, the lazy and the inefficient," he declared. This indicates that he intends to make an early bid to improve India's government machine.

"Our administrative system must become goal-oriented. A new work ethic, a new work culture must be evolved in which government is result-bound, not procedure-bound."

On individual policies, he said his administration would: Modernise defence forces, give rural development priority, continue a policy of supporting a mixed economy, review the education system, continue existing foreign policies and try to develop closer ties with South Asian neighbours, seek a "satisfactory solution" to problems with China, and maintain links with both the Soviet Union and the U.S.

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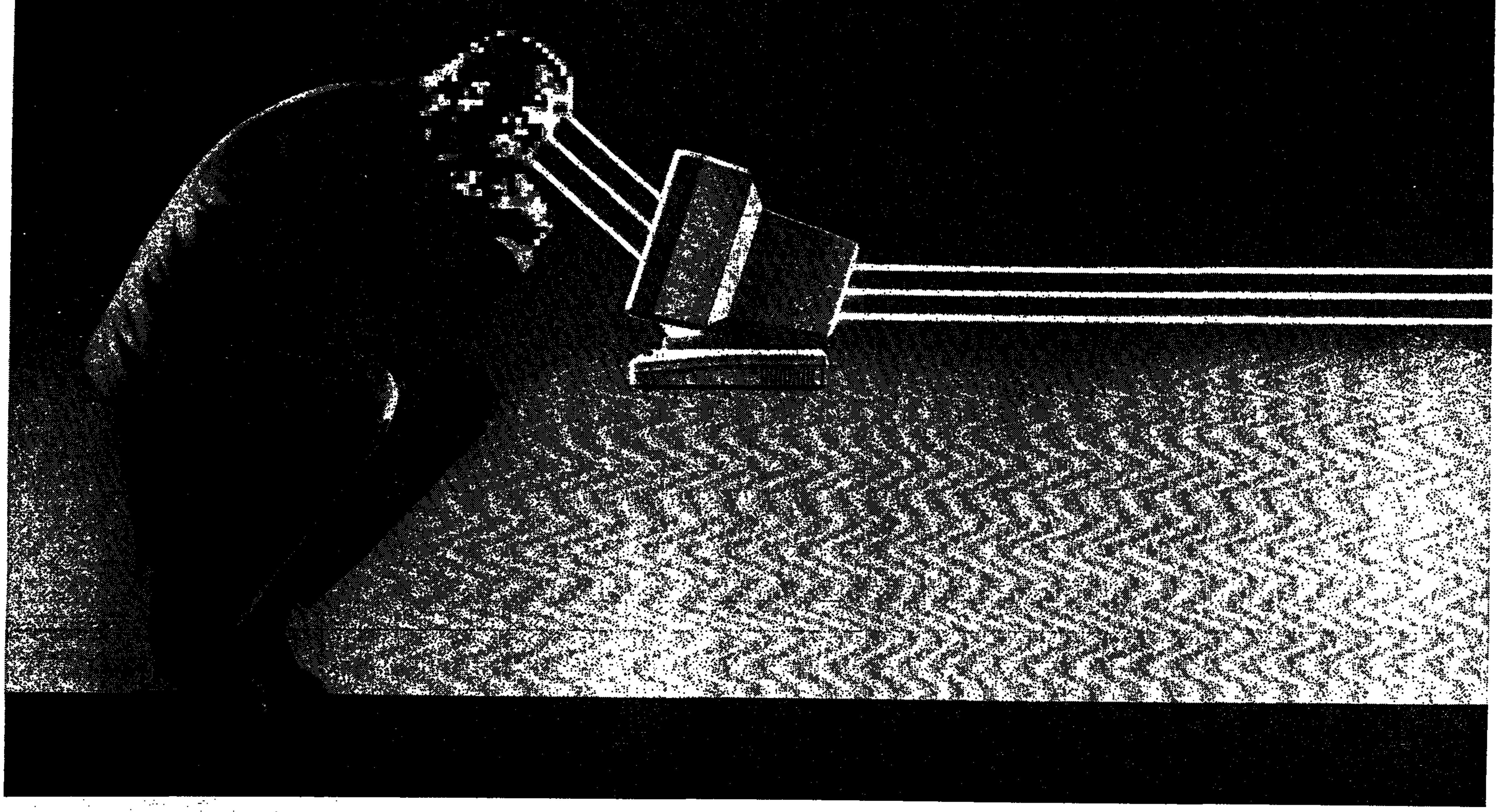

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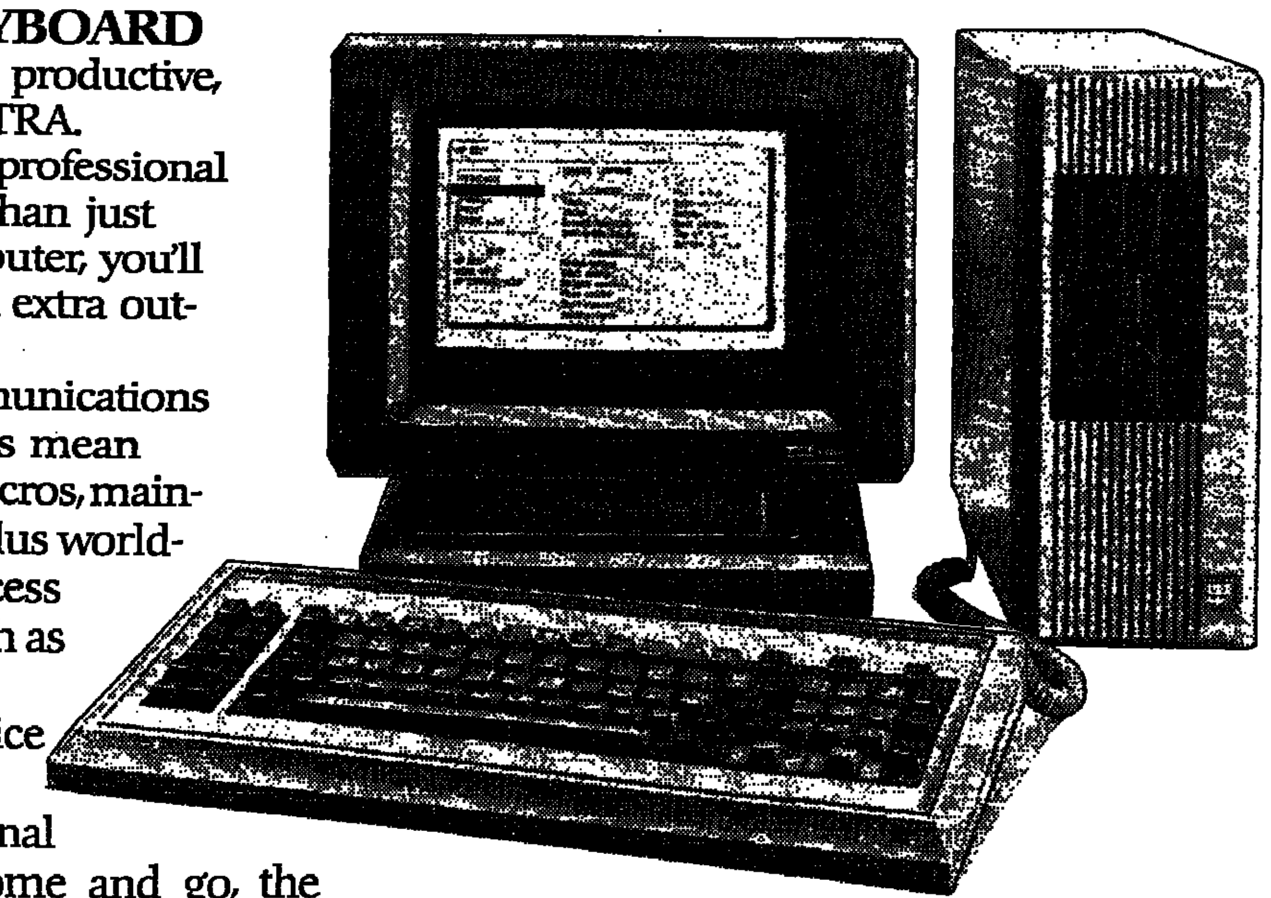

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Nicaragua orders armed forces on full alert

BY TIM COONE IN MANAGUA AND ANDREW WHITLEY IN BRASILIA

NICARAGUA'S Defence Ministry yesterday ordered all units of the armed forces on full alert and armoured cars took up defensive positions around the capital Managua, as the scare of a possible U.S. invasion continued.

U.S. supersonic spy flights over the country continued over the weekend. Two sonic booms shook the capital on Sunday, and were accompanied by a third flight along the Pacific coast by what the Nicaraguan Government identified as an RC-135 aircraft.

The Foreign Ministry has protested formally to Mr George Shultz, U.S. Secretary of State, over the airspace violations. The *note said the flights were the* preliminary steps "for the unleasing of a direct and massive war" against Nicaragua and that Nicaragua insisted on its "inalienable right to the defence of its sovereignty and national independence."

The invasion scare followed a U.S. claim last week that MiG 21 jet fighters were being delivered to Nicaragua in a Soviet freighter. The Reagan Administration indicated that if this were true, it could lead to a belicose response from the U.S. The Nicaraguan Government has denied emphatically that any MiGs have been delivered to Nicaragua.

Later reports indicated that three helicopters had been *delivered in the freighter to add* to the existing contingent of around 12 Soviet helicopters that Nicaragua has been employing with considerable success against the U.S. guerrillas in the mountains.

In Brasilia, Mr Shultz clashed bitterly with Sra Nora Astorga, Nicaragua's deputy Foreign Minister, at the opening session of the Organisation of American States annual meeting yesterday. Both castigated each other's record in Central America in a clash made poignant by Ms Astorga's presence instead of Father Miguel d'Escoto, the Nicaraguan Foreign Minister. Sra Astorga earlier this year had been turned down as Nicaragua's *Ambassador to Washington be*cause of her prominent role in the overthrow of the Somoza dictatorship.

Mr Shultz said that while the West had been "impressed by El Salvador . . . favourably surprised by Guatemal (and) encouraged by Honduras," all major Western political groupings had, he claimed, been "disillusioned by Nicaragua.

Mr Shultz gave no ground on the U.S. refusal to go along with the Contadora peace treaty for Central America, as agreed by most of the regional countries. "Good words will not guarantee that armed opposition groups will be integrated into a genuinely democratic political systems," he said.

Earlier, Mr John Huges, State Department spokesman, had dismissed Nicaragua's claims that an attack against its territory was impending as "ridiculous" and "absurd."

Sra Astorga — sent to the OAS meeting in place of Father *d'Escoto who chose to remain* in Managua because of the growing war fever — said she could see three alternative scenarios for an invasion.

These were: isloated bombing of Nicaraguan towns; a naval or air *blockade*; or the artificial creation of an incident between Nicaragua and one of its neighbours, either Costa Rica or Honduras, to make it appear that the Sandinistas were the aggressors — and thus *justify U.S. intervention.*

U.S. policy towards Managua is likely to stop short of invasion **Reginald Dale** reports

Scare tactics of the Washington hardliners

NOW PRESIDENT Ronald Reagan is safely back in the White House, hardliners in Washington see the chance for a further tightening of the screws on left wing Nicaragua.

The next steps remain to be thrashed out between hawks in the Pentagon and elsewhere and the more moderate State Department. But the hardliners got off to a quick start with last week's much publicised flap over the MiG 21s that might or might not be unloaded from a Soviet freighter in the Nicaraguan port of Corinto.

By the weekend, reports were circulating in Washington of proposals under discussion in the Administration—though not apparently yet in the cabinet—that included the recall of the U.S. Ambassador in Managua, "interdiction" by the U.S. Navy of arms shipments to Nicaragua, an increase in the frequency of scale of U.S. military manoeuvres in Central America and more aid to the right wing Nicaraguan Contra rebels.

Mr Caspar Weinberger, the Defence Secretary, warned of the danger of confusing contingency plans with real intentions at any given moment. Such warnings have often been ignored in the past by a U.S. media that does not want to miss a sensational story.

The media, which stoked up last week's tension over the MiGs with a liberal use of anonymous "intelligence sources," is jumpy. Engraved in the memory of many Washington correspondents is the insistence, in October 1983, by Mr Larry Speakes, the White House spokesman, that a U.S. invasion of Grenada would be "preposterous"—when the invasion was already under way.

There will, however, be no U.S. invasion of Nicaragua in anything resembling the present circumstances—not, that is, in the sense of U.S. marines storming the beaches and not in the sense of the Soviet invasion of Afghanistan, a massive ground operation that has now lasted almost five years without securing its objective of "pacifying" the country.

War footing

On the contrary, the aim of U.S. policy has been to achieve many of the effects of an invasion without having to carry it out at the cost of what would be politically unacceptably high American casualties. Casualties among the motley crew of U.S.-backed Contra Nicaraguan rebels do not really count in U.S. political terms.

Last week, the U.S. appeared to have achieved some of these objectives with almost effortless ease. The Sandinista Government was panicked into drafting 20,000 badly needed workers into the militia who would otherwise have been bringing in the coffee harvest. The country went on a war footing and found itself forced into denying that it was acquiring the MiGs, although it still asserts its sovereign right to acquire any weapons it wants to.

The U.S. got away—before its domestic public, at least—with new warnings of a massive Soviet arms build-up in Nicaragua, without it occurring to too many people that the Sandinistas might feel the need to arm themselves against the Contras, financed and supplied by the U.S., who are now said to number 6,000 to 8,000 and possibly 10,000. Apart from fighting the Sandinista forces and terrorising villagers, the Contras have caused more than $237m (£186.6m) damage to the economy, according to the government.

Few people pointed out in Washington that one of the best ways to secure an economically costly arms build-up by an enemy is to let it believe that you are about to take unspecified military action against it. Recent days also produced the leak of a high-level U.S. National Security document gleefully noting how the U.S. had "blocked" the Contadora peace process, one of the objectives of which is to reduce foreign-supplied weapons in the region.

The MiG scare now seems to have been started by a freelance hardliner in the Administration who saw the opportunity to exploit an opening. Both Mr Weinberger and Mr George Shultz, Secretary of State, protested outraged innocence, insisting that the leak was a major breach of security.

That did not, however, stop unidentified "intelligence officials" from quickly chalking up the supposed crisis. It did not stop the Administration saying it had warned Moscow of the dangers and it did not stop the U.S. sending SR-71 spy planes to strew panic in Nicaragua by deliberately subjecting the populace to sonic booms.

Clear objective

By the weekend, it turned out that there were no MiGs this time. If MiGs do show up, of course, the U.S. has now painted itself into a corner where it will have to try to remove them, possibly with an Israeli-style air strike, which is not the pushover it might seem.

What is Washington trying to achieve? In the broadest terms, the Administration is fairly clear. It does not, it says, want a "second Cuba"—one is bad enough, Mr Weinberger said on Sunday—intimidating its U.S.-allied neighbours and exporting revolution to the very doorstep of the U.S. It invokes the 1823 Monroe Doctrine against interference by outsiders—in this case the Soviet Union—in the Western hemisphere. It wants the Sandinistas out without sending the marines in.

The Soviet Union, however, has made it clear that it does not want to take the financial and strategic responsibility for Nicaragua that it did for Cuba. Of course, from Moscow's point of view, if the U.S. can be provoked without great expense to diverting a large amount of military resources to its own backyard, that is a global plus.

The hardliners have chosen to use the MiGs as a symbolic threshold, just as Mr Alexander Haig, then State Secretary, drew a line against Communism in El Salvador in the early months of the first Reagan Administration. With a range of just over 500 miles, the MiG 21s are not in themselves a threat to the U.S.

To "neutralise" any MiGs that might arrive would be an act of war that the U.S. would be loth to take. It would prefer to scare them away. Meanwhile, it wants the Sandinistas to stay frightened, the *Nicaraguan public to ask* whether such confrontation is really worthwhile at a time of economic hardship, at least partly U.S. orchestrated, and it wants the newly-elected Congress in Washington to be concerned enough to provide fresh funds for the Contras in the New Year.

Now that there is no domestic support for Vietnam-type wars, the aim is to secure U.S. objectives in the Third World without American casualties. A lot of people in Washington have devoted a great deal of time and intellectual capacity to studying how it can be done. Last week, at least, it seemed to be working.

Bishops in sharp attack on Reagan policies

By Stewart Fleming in Washington

CITING "MASSIVE and ugly" failures in the way the U.S. economy response to the needs of the poor, the Catholic church has released a stern critique of the nation's *economic priorities* which seems certain to be used to attack the Reagan Administration's social policies.

The report, described as one of the most significant pastoral letters in the U.S. Catholic church's history, is a major topic on the agenda of the annual meeting of the nation's 280 Catholic bishops which opened yesterday in Washington.

The draft report, which will form the basis for a year-long discussion leading up to the publication of the final pastoral letter, has stirred up fierce controversy within the church as well as in the American business community. Some major U.S. *newspapers, including* the Washington Post, gave it extensive front-page treatment yesterday and Business Week, the top U.S. business news weekly, made the report and a critique of it by a group of Catholic businessmen the cover story of its latest issue.

The Bishops' analysis calls for labour law reform to help workers organise trade unions, and directly attacks the extent to which the President has been shifting economic resources away from meeting human needs and towards military programmes.

The report says that with 35m Americans living below the poverty line the inequality *of the distribution of wealth* is "morally unacceptable" and "violates the minimum standard of distributive justice." To attack the problem it calls for tax reform to discourage flagrant consumerism and shift resources to the poor, and a major reform of the U.S. social welfare system.

The tone of the report is striking because with the exception of Rev Jesse Jackson, none of the candidates in the recent *presidential* campaign issued such a searing critique of the conventional wisdom underlying the current economic policy debate in the U.S.

British voters favour normalising relations with Buenos Aires

BY ROBERT GRAHAM, LATIN AMERICA EDITOR

BRITISH VOTERS have serious reservations about the high cost of defending the Falkland Islands. This emerged in a poll just released by Gallup that deals for the first time with attitudes towards the future of the Falklands and Britain's relationship with Argentina.

The poll, conducted from October 24 to 29, shows a clear majority in favour of normalising relations between Britain *and Argentina* although *there is* a wide split of views on what type of arrangement is best for the Islands' future.

An interesting phenomenon of the poll is that younger voters hold the most hardline views while the reconciliatory attitude towards Argentina cuts right across traditional party allegiances.

"The poll is an encouraging sign of changing public opinion and shows that the Prime Minister's policy is out of step even from among her own Conservative Party supporters," commented Mr George Foulkes, MP (Labour), a member of the South Atlantic Council an all party group to improve relations between Britain and Argentina.

Voters were asked whether Britain "can or cannot go on spending" £600m a year to defend the Falklands. In reply only 25 per cent said Britain could do so indefinitely, 8 per cent believed it possible for "a while": 60 per cent said Britain could not continue such expenditure and the rest were do not knows. Of the Tories polled by Gallup 45 per cent said Britain could not sustain defence costs.

Attitudes towards specific solutions for the Islands' future were less clear cut. The poll sought opinions on five solutions—permanently British; handed back to Argentina; lease-back; joint Anglo-Argentine control and UN administration. The largest block of opinion was *37 per cent in favour of* the Islands being permanently British, 21 per cent favoured UN administration; 13 per cent joint control, and 6 per cent leaseback. Handing the islands back to Argentina was supported by 12 per cent with another 11 per cent don't knows.

The most universally acceptable move was permitting Argentinians to visit the graves of war dead on the islands—92 per cent either approved or strongly approved of the idea. Resumption of diplomatic relations was backed by 74 per cent.

U.S. airline grounded in FAA drive for safety

BY TERRY DODSWORTH IN NEW YORK

PROVINCETOWN-BOSTON airline, the largest commuter carrier in the U.S. has been grounded indefinitely by the Federal Aviation Administration for safety violations.

The move follows a drive by the FAA to tighten up on safety requirements after a spate of groundings at the end of last year. In the wake of congressional pressure for action, Mrs Elizabeth Dole, Transportation Secretary, announced a thorough review of all the nation's carriers. In the last six months a more detailed investigation of 50 airlines has been carried out.

Provincetown-Boston, which serves five cities in Massachussets and Florida, is believed to be the largest carrier to have been stopped flying by the FAA. The airline operates around 100 planes carrying 4,000 people a day on average, and employs 1,500.

The FAA has charged the airline with contraventions of the training regulations for both pilots and flight attendants, for the maintenance of its aircraft, and used unauthorised personnel to perform maintenance.

It is not clear when Provincetown will be able to begin flying again. Because of the seriousness of the violations, the FAA has revoked the company's operating licence rather than suspending it, which means that Provincetown will have to go through a lengthy process to be recertified.

France stops moves towards EEC-U.S. mixed credits deal

BY PAUL CHEESERIGHT IN BRUSSELS

THE PROSPECT of the EEC avoiding a damaging clash with the U.S. over the use of export credits mixed with aid diminished yesterday when France stood out against agreement among the Ten to change the existing system.

The existing system, called the Consensus and run under the aegis of the Organisation for Economic Co-operation and Development (OECD) provides for a supplier to notify other export credit agencies when the aid element in an export credits deal is up to 25 per cent of the total.

At a meeting of Community finance ministers France refused to countenance any change, arguing that the present system is strict enough especially when it is seen in relation to the automatic changes for export credit interest rates on a regular basis.

But the U.S. has been pushing hard for the elimination of aid from ordinary commercial deals. The next direct confrontation between the two sides will be at an OECD export credits meeting on December 10.

The internal arguments in the EEC will be left to foreign ministers to resolve at a meeting at the end of this month. The Ten have before them a proposal from the European Commission to lift the notification level to 50 per cent.

The U.S. has also had a long-standing policy of trying to bring aircraft transactions within the scope of the Consensus. EEC finance ministers were agreed that this should be the case for wide-bodied aircraft, but France again signalled its refusal to extend this agreement to cover smaller aircraft.

Under proposals circulating among international export credit insurers, widebodied aircraft sales would be subject to the same set of interest rates regardless of the buyer. But smaller aircraft bought on credit would have, in the normal Consensus way, three different sets of interest rates, dependent on the wealth of the borrower.

Talks planned to consider Canadian newsprint row

BY OUR BRUSSELS STAFF

THE VEXED question of settling the level of Canadian duty-free access to the EEC market for newsprint is to be the subject of new round of talks between Brussels and Toronto later this month.

The two sides were told to resume talks by a panel of experts, set up by the General Agreement on Tariffs and Trade (Gatt) to adjudicate on a Canadian complaint that its trading rights were impaired when the EEC cut its access.

Last week's Gatt Council, which brings together all signatories of the agreement, received the report but delayed adoption of it at least until a further meeting on November 19.

But both the EEC and Canada are ready to adopt the panel's findings, which upheld the EEC's right to reduce Canada's quota but denied its right to make the reduction unilaterally.

The question of establishing a new level of guaranteed access is becomng commercially urgent. The EEC's imposed quota on Canada runs out at the end of the year. It was set at 635,000 tonnes for 1984.

Difficulties about Canadian sales in the EEC have arisen because since the beginning of this year, Nordic producers have enjoyed unrestricted access to the market under the terms of an industrial free trade agreement between the EEC and the European Free Trade Association.

But the EEC, under a Gatt agreement of 1975, had bound itself to take 1.5m tonnes of newsprint from outside suppliers enjoying most favoured nation status. Now that Nordic suppliers have unrestricted access, the EEC wants to reduce that figure, especially since both Nordic and EEC capacity has expanded more quickly than the size of the market.

The new talks theoretically should build on the earlier round, when at one stage the difference between the two sides had narrowed to 75,000 tonnes. But Canadian officials are cautious, waiting to see what mandate the European Commission will be given to negotiate.

Canadian sales to the EEC have averaged between 675,000 and 700,000 tonnes.

A delegation is in Brussels today to seek a bigger Greek quota. **Alan Friedman** reports from Sassuolo

Why Italy's ceramic tile makers are upset by Greece

ALONG THE narrow country roads of Italy's Emilia Romagna region, the lush hills suddenly give way to a strip development of countless ceramic tile factories, ugly buildings with rows of flatbed lorries being loaded up.

It is from this region of north central Italy that a delegation of Italian industrialists has travelled this morning to meet the European Commission in Brussels.

The Italians are to plead a case familiar to watchers of Community affairs.

"We are out to stop protectionism in Europe," declares Dr Antonio Camellini, president of the Italian Tile Makers' Association.

Specifically, Dr Camellini and his colleagues hope to persuade Brussels that a third consecutive year of harsh quotas against Italian exports to Greece could have serious consequences for their industry.

Italy is the world's largest producer of ceramic tiles, the kind one finds on bathrooms and kitchen walls and on floors. Italian exports last year totalled L1,500bn (£646m), or 51 per cent of the total turnover of Italy's 413 tile companies. In output terms Italy claims to produce 300m square metres a year, which is nearly treble the number-two producer, Brazil. The top three Italian tile makers produce more than the total production of West Germany, the fifth largest manufacturing country. American production, which ranks sixth on a global basis, amounts to less than a tenth of Italy's.

In the Sassuolo area, the last two decades have been boom times. Some 25,000 workers in the province of Sassuolo are employed directly in the factories which transform clay from the hills into finished tiles for exports. The local economy is more than 90 per cent dependent upon tiles.

On the surface, the Italians have little to complain about—they claim 40 per cent of the world market, 65 per cent of the European market and the most advanced technology of any country. Finance from the Banca Popolare di Emilia in Modena is being used by more than 90 per cent of the regional companies.

But the Italians are facing a "crisis" of sorts: their domestic market, closely related to housing starts, is depressed and has in recent years been dropping at an annual rate of more than 15 per cent. Exports are not growing enough to compensate and, as Dr Camellini puts it: "We need export markets to survive."

This is why today's Brussels meeting takes on special importance for the Italians. They are at the Commission to plead for a larger quota of the Greek market. Greece is only the seventh largest export market, but since 1982 the cuts in quotas have reduced Italian exports there drastically (from L31.2bn in 1982 to L19.8bn last year).

Even with the Greek-requested trade protection, Italian tile exporters still garnered 35 per cent of the Greek market last year. This compares with their 41 per cent of the French market, 37 per cent of the West German market, 15 per cent in the UK and 21 per cent in the U.S.

The Italians say the EEC has allowed Greece to restrict Italian sales for "political reasons." They will not elaborate on this. The curbs started in 1983 and was renewed last January. It expired last month, and Greece has asked for a renewal from December 1 of this year.

"It is an irrational protectionism. They have put up Greek prices by 20 to 30 per cent and given consumers less choice," declared Dr Romano Minozzi, head of a big Italian manufacturer.

"Greece is a country which wants to be a participant in a Common Market and immediately puts up trade barriers against free trade," he adds, brandishing a telex from Athens which instructs his company to cease all shipments for the time being. "That is not even legal," he says angrily, pointing out that Brussels has not yet ruled.

Mr Draper: line may not be renewed

Brazilians reject U.S. credit offer

By Andrew Whitley in Rio de Janeiro

THE BRAZILIAN Central Bank has rejected proposals to reduce the cost of the $1.5bn credit line provided by U.S. banks to Brazil under Export-Import Bank guarantees, as a means of increasing its utilisation.

To date, less than $30m of the controversial credit line, designed last year to form a central part of the debt rescue package mounted for Brazil, has been used.

Last week, Mr William Draper III, chairman of the U.S. Eximbank, said that the line probably would not be renewed when it expires next March, if its use is not substantially increased. Financing has to be arranged by the end of March for goods imported up to 180 days later.

To bring down what importers and many bankers regard as the excessive cost of the Eximbank financing, the state-owned Banco do Brasil had proposed that a financial tax charged on operations conducted under this line be eliminated.

Brazilian officials say that, following the introduction of the Eximbank financing last August, other countries, such as Japan and West Germany, have responded with more attractive official financing and reinstated suspended insurance cover.

Individual foreign banks are also said by Brazil to be providing cheaper financing than the Eximbank line, whose costs for 360-day operations range between 27 and 34 per cent.

U.S. promotes W. Indies trade

THE U.S. Government is this week launching an ambitious promotion campaign in Europe for its Caribbean Basin Initiative (CBI), writes Hugh O'Shaughnessy. The CBI provides duty-free access to the U.S. market for manufactures from approved countries of the West Indies and Central America.

A ten-man delegation visits the Liverpool Chamber of Commerce today and the Birmingham Chamber tomorrow, before continuing to Paris, The Hague and Madrid.

The delegation includes four senior officials from Washington, one from the U.S. embassy in London, three businessmen from Honduras and an official from Jamaica.

Finns to build Soviet ice ships

WARTSILA, the Finnish company which built the latest luxury cruise liner for Britain's P and O Cruises, has won a Russian order to build two nuclear-powered ice-breaking vessels worth FM 2bn (£255m)—the largest contract ever won by a company in Finland, writes Andrew Fisher.

The Soviet order was announced only three days before P and O Cruises' $150m Royal Princess is to be named in Southampton by the Princess of Wales.

The ice-breakers will be built at the Helsinki yard of Wartsila, but the nuclear reactors will be installed by the Russians in Leningrad.

It was not immediately clear how much of the ships' value would go to Wartsila.

Wartsila has previously built a number of ice-breakers and ice-strengthened cargo ships for the Soviet Union at its yards in Helsinki and Turku.

The two new ships, ordered by Russia's Sudoimport agency, will be built for ice-breaking at sea rather than on rivers and will have a shallow draught. Delivery is due in 1988 and 1989.

Men and Matters, Page 16

British surveyors in Singapore venture

CHESTERTONS, the UK estate agents and chartered surveyors, have formed a joint venture with a Singapore chartered surveyor, Simon Lim Oh and partners, Chris Sherwell reports from Singapore.

The news comes at a time when the property market is weak in Singapore and soft elsewhere in South-East Asia. But Chestertons says a Far East presence would strengthen the service it can offer international organisations.

The firm already has an office in New York, and in recent years has been expanding its activities beyond the traditional agricultural and upmarket residential sectors into the commercial sector. It has been in business now for 179 years.

Simon Lim, Oh and Partners is one of the biggest Singaporean firms of chartered surveyors, and is well-established in Thailand.

But it is a difficult time in Singapore. In the office, retail, factory and private residential sectors, the island state's property market is in serious over-supply.

The new venture, Chesterton Lim Oh, in which Chestertons will have a 30 per cent stake, will be the second UK-Singaporean tie of its type. Knight Frank Rutley of the UK also have a joint venture with a local group.

Washington urged to set stainless steel quotas

BY IAN RODGER

TARIFFS have been ineffective in preventing a surge of subsidised or dumped stainless steel into the U.S. in the past year, and producers are now urging Washington to set import quotas on the main grades.

Mr Paul Roedel, chairman of the U.S. Specialty Steel Industry Advisory Committee, said in London he was optimistic that stainless steels would be added to the grades for which volume restraint agreements are now being negotiated with a number of countries.

U.S. imports of stainless flat products, which represent the bulk of specialty steel products, rose by 77 per cent in the first nine months of this year to 109,200 tonnes, accounting for 15.1 per cent of the market compared with 9.3 per cent last year.

Mr Roedel, who is also president of Carpenter Technology Corporation, acknowledged that the strength of the dollar had made the U.S. market unusually attractive.

However, he argued that their cost advantage over U.S. producers was not that great, in part because most raw materials were priced in dollars.

Among the countries contributing to the surge of imports of stainless flat products this year were France, up from 14,719 tonnes to 28,272 tonnes in the first nine months, South Korea, up from 3,895 tonnes to 11,513 tonnes, West Germany, up from 2,821 tonnes to 8,065 tonnes, Italy up from 915 tonnes to 6,683 tonnes and Brazil, up from 19 tonnes to 1,426 tonnes. Britain's exports were roughly halved to 1,518 tonnes, following the imposition of a heavy countervailing duty for subsidy.

The U.S. producers want quotas to be put on imports of stainless plate, sheet, wire, pipe, tube and stainless 409, which is used in making car silencers.

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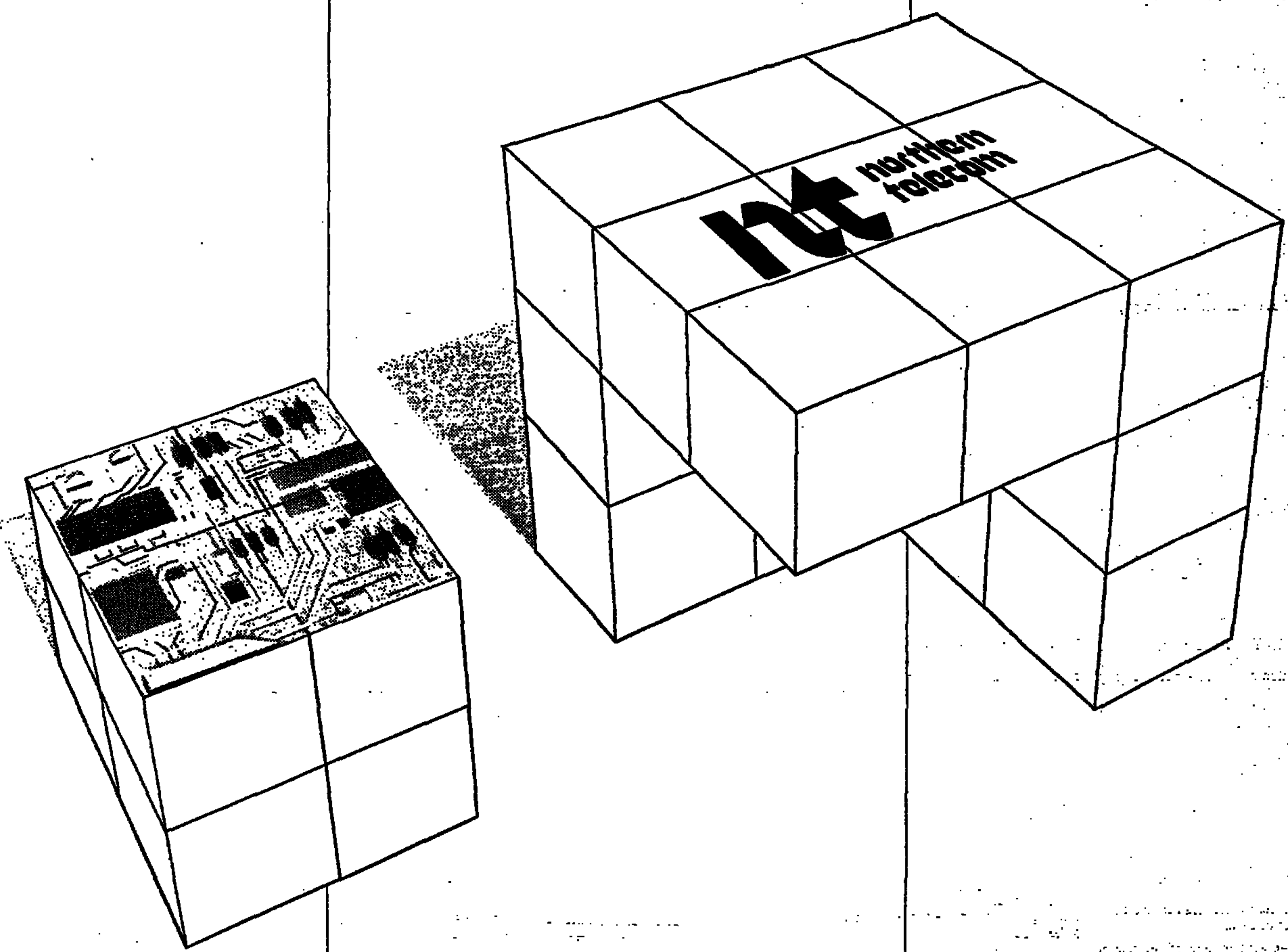

RESEARCH AND DEVELOPMENT: THE CORNERSTONE.

Today's telecommunications revolution began with an idea: to create a digitally based global communications network so comprehensive that, through the use of intelligent terminals, information will be organised, stored, accessed, and retrieved from any source in the world. That idea was nurtured in the Northern Telecom laboratories of Bell-Northern Research Ltd. For more than a decade, BNR engineers and scientists have been developing the products and systems that are translating that vision into reality.

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Their efforts resulted in the 1976 announcement of the Digital World*. With Digital World, Northern Telecom became the first company in the world to commit to the development of a complete family of **fully** digital telecommunications systems. Today, as a result of Northern Telecom's leadership, analogue technology, on which the international telecommunications grid was based for a century, is being replaced by fully digital systems. Other manufacturers have since followed the same digital route.

To maintain its two-to-three year lead over all the other telecommunications manufacturers in the world, Northern Telecom annually invests nearly 10 percent of worldwide revenues in research and development. Annual spending on R&D, which was £18 million in 1973, grew to more than £175 million, nearly 10 times as much, in 1983.

Bell-Northern Research, one of the largest private industrial research and development organisations in North America, with some 3,900 employees, operates six laboratories in Canada, and four in the United States. In the United Kingdom, a new BNR facility has been established near London where, 70 employees will be working on international versions of Northern Telecom's circuit and data packet switches.

In addition to BNR, Northern Telecom also operates some 27 R&D centres associated with its manufacturing facilities in North America and the United Kingdom.

More importantly to its customers, Northern Telecom's R&D is market-driven.

ANTICIPATING THE NEEDS OF CUSTOMERS

New-product development addresses the anticipated needs of Northern Telecom's customers and of developing markets. It protects the investment of Northern Telecom's customers by constantly evolving systems as technology progresses, rather than making them obsolete, a generation at a time.

Northern Telecom is also a global leader in developing advanced semiconductor technology. For example, the world's first single-chip filter codec (coder-decoder) was developed by Northern Telecom in 1978. The company has produced millions of them. In 1981, Northern Telecom leapfrogged its own technology with the E-99 line card chip. The E-99 performs all the functions of the first codec, plus those of another chip of similar complexity, and more than 30 additional electronic components. This reduces the cost of switching systems and improves reliability. Today, Northern Telecom's competitors are only just beginning to produce single-chip filter codecs.

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SL*-1 AND SL-100 DIGITAL BUSINESS COMMUNICATIONS SYSTEMS— fully digital PBXs, (private branch exchange) integrating proprietary, featured key telephones. The SL PBXs are the largest-selling digital PBXs in the world with almost four million lines installed in 46 countries. The SL-1 was the first PBX to offer integrated voice and data capability.

SL-10 PACKET SWITCHING SYSTEM—bundles data into packets of information, each containing its own destination address. Major systems have been sold to Telecom Canada, the West German Bundespost, the U.S. Federal Reserve System, and other customers in the U.S., Belgium, Austria, Switzerland, Portugal, Hong Kong, the U.K. and the Republic of Ireland.

DMS*-1—the Digital Multiplex System most widely used by telephone companies in rural areas. DMS-1 can serve up to 256 lines over just four pairs of wires. DMS-1A systems, designed to meet CCITT recommended standards, have been installed in the British Telecom network.

DMS-10—designed to handle the needs of smaller communities requiring service for up to 8,000 telephone lines. It is the largest-selling digital switch in the world. The DMS-10M is a specially designed compact version housed in a mobile cabinet on wheels. The packaged design virtually eliminates the need for engineering by telephone companies, permitting rapid and unassisted installation.

DMS-100—developed to meet the needs of larger communities and cities needing a big switch for local calling. DMS-100 can serve up to 100,000 telephone lines and, with its Remote Line Modules, can economically provide service to smaller communities in surrounding locations.

VANTAGE* 12/48—a family of microprocessor-controlled, electronic key telephone systems designed for the small-business user, which can handle up to 16 lines and 48 extensions.

DISPLAYPHONE*—the world's first integrated voice and data office work station. This advanced telephone can transmit and receive data in one convenient desk-top unit.

The digital systems of tomorrow, conceived, designed, and manufactured by Northern Telecom, continue to set worldwide performance standards.

For more information on Northern Telecom and its products contact: Northern Telecom plc, Berkeley Square House, Berkeley Square, London W1X 5LE. Telephone: 01-491 4599.

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THE LARGEST SUPPLIER OF FULLY DIGITAL SYSTEMS IN THE WORLD.

Engineering sales 'dip 16% over five years'

ENGINEERING sales have fallen in value by 16 per cent in the past five years, but the whole of that decline is concentrated in just three sectors, according to the Engineering Employers Federation (EEF).

The three sectors of decline are motor vehicles, mechanical engineering and metal goods, while the aerospace, marine and transport equipment and the electrical and instrument engineering sectors have all grown.

This widening gap between different parts of the industry is "the most important aspect of the present situation," according to Dr James McFarlane, director general of the EEF.

He was making the annual state of the industry presentation to the unions after the formal presentation of their claim on behalf of about 1.5m workers for a "substantial" increase in basic rates and a reduction in the working week from 39 hours to 35 with no loss of pay.

The EEF says that the companies "seeing genuine growth" are those in formation technology, producers of consumer goods and those who can export to the U.S. "Those which are not doing well are the makers of traditional industrial products, those facing competition from newly industrialised countries and those who depend on exports to oil producing and developing countries."

☐ VIDEO PIRACY is continuing to decline, according to the Federation Against Copyright Theft (Fact), an organisation set up by the film and video industry.

Fact believes that in the past 18 months the proportion of the video market held by pirates has declined from 60 per cent to about 20 per cent.

Its investigators have been making unannounced visits to video dealers. Mr Peter Duffy of Fact said: "Last year we visited seven dealers in Scotland and found more than 600 pirate tapes. A year later we visited 54 comparable dealers in Scotland and found a total of just 50 infringing copies."

☐ THE INDEPENDENT Broadcasting Authority (IBA) announced a package of cost-cutting and deregulatory measures to ease the financial burden on the UK's 48 commercial local radio stations.

The main benefit will be a 10 per cent cut in the rental paid by the stations to the IBA for transmitters and administrative costs. At present, the stations pay the IBA about £6.5m out of a total turnover of £80m.

☐ RETAILERS are expecting an exceptionally strong level of consumer spending this Christmas in spite of a fall in the official retail sales figures for October.

The Retail Consortium, which represents the bulk of UK retailers, said it was encouraged by latest figures because the level of trade was still much higher than last year. Provisional estimates of October spending show an index figure of 113.2 compared with 174.5 in September (1980 = 100).

☐ HOWARD DORIS, the Anglo-French construction company, plans to establish a yard on the east coast of Britain with the aim of gaining offshore contracts for the Southern Gas Basin of the North Sea. The yard could employ up to 1,000 people, the company said.

C. G. Doris, the French company which owns 50 per cent of Howard Doris, is considering diluting its stake to about one third.

☐ THE GOVERNMENT yesterday announced an extra £325m for the Enterprise Allowance Scheme, which provides grants of £40 a week to help unemployed people start up in business.

☐ ENGLISH banks will reject a no-strike undertaking to be offered by the 97,000-strong Clearing Bank Union.

Mr Nick Cowan, director of the Federation of London Clearing Bank Employers, said he was "absolutely certain" the offer would be rejected because it was conditional on a return to a system of unilateral binding arbitration.

☐ THE TEST of a new fuel additive by deliberately crashing an unmanned aircraft in California has been postponed for a few days for checks on the aircraft's electrical systems.

The additive, called Avgard, has been developed by ICI's paints division and is intended to prevent a fireball in the event of a crash. The test was originally scheduled for last Saturday.

More workers ignore strike at BL plants

BY ARTHUR SMITH, MIDLANDS CORRESPONDENT

THE DRIFT to work by strikers at Austin Rover, BL's volume car subsidiary, gathered pace yesterday. The company claimed that from today more than 8,500 of the 28,000 manual employees would be working normally.

The strike over pay is now confined mainly to the two big assembly plants of Cowley, Oxford, and Longbridge, Birmingham. Mass meetings at two more plants – Llanelli, South Wales, and Fuel Systems, Birmingham – voted yesterday to ignore the strike and join eight other factories already working.

Unions began the strike a week ago when they rejected a two-year pay deal worth 7.8 per cent this year and a further 7.2 per cent next year.

Meanwhile, Austin Rover made clear that it will issue contempt proceedings against the six trade unions ordered last week by the High Court to withdraw strike instructions until a secret ballot has been held.

The hearing seems unlikely before Thursday as the unions must be allowed time to prepare their case should they choose to defend the action. The delay will allow further time for efforts to avoid a legal confrontation which could be extremely damaging for longer-term industrial relations.

The Advisory, Conciliation and Arbitration Service (Acas) has made soundings of both the management and the trade unions to see whether it might have a role in breaking the present impasse.

Austin Rover is hoping that there will be a hearing in the Court of Appeal today against the decision of a judge in chambers last week to use his discretion in not making an order against the Amalgamated Union of Engineering Workers. The engineering union has publicly repudiated the strike as an unofficial action.

The key to union opposition to Austin Rover's action under the 1984 Trade Union Act rests with the Transport and General Workers' Union, which claims to represent half the Austin Rover workforce.

The transport union, bound by its policymaking delegate conference not to co-operate with the new legislation, has so far refused to comment on the Austin Rover case.

Output shows slight rise in third quarter

BY PHILIP STEPHENS

BRITAIN'S manufacturing output showed a small increase in the three months to September, raising government hopes that growth is picking up again after a flat performance earlier in the year.

Output of all the production industries, however, continued to decline, hit by the loss of coal caused by the miners' strike and by a fall in North Sea oil and gas extraction.

The Central Statistical Office said yesterday that manufacturing companies produced about ½ per cent more in the third quarter than in the previous three months and 1½ per cent more than in the third quarter of 1983.

Taken with an upward revision of the second quarter figure, officials believe that the latest data shows that manufacturing output is again on a rising trend after the apparent stagnation in the first three months of the year.

The figures are now closer to the results of recent surveys by the Confederation of British Industry, which have indicated that the rise in production will continue into 1985.

The pace of growth is well below the rate seen at the end of last year and the level of production is still slightly below the level of December 1983.

The strongest growth in manufacturing came in the electrical engineering sector, which includes computers and other electronics equipment.

Output by this sector in the three months to September was 13 per cent higher than in the same period of last year.

Overall industrial production fell by 1 per cent between the second and third quarters of this year, as the miners' strike continued to hit coal output. Officials said that the strike accounted for about half of the fall in output, with most of the remainder reflecting lower oil and gas production in July and August.

Mine equipment makers 'badly hit' by strike

BY MAURICE SAMUELSON

THE COAL STRIKE has been severely affecting UK manufacturers of mining equipment, which will increasingly have to rely on exports once the dispute is over.

This is the conclusion of a privately circulated study of the mining equipment industry by stockbrokers Phillips & Drew.

The study forecasts that mining equipment companies will report very poor results well into next year, but believes that their medium-term prospects are more favourable due to:

● An expected upturn in U.S. mining equipment investment.

● Major coalmining plans in some less developed countries, notably China and India.

● The strong competitive position of the UK equipment producers in terms of technology and price.

● The likelihood of large investments being resumed in the UK once the miners' strike is settled.

The UK companies likely to benefit most from overseas mining projects are Anderson Strathclyde, Dobson Park and Dowty, the study says.

In 1983 equipment manufacturers throughout the world experienced what Phillips & Drew describes as "probably the harshest conditions of the post-war era." Outside the UK, however, the industry's fortunes bottomed out in late 1983 or early 1984.

After the UK strike, Phillips & Drew expects to see a rapid pick-up in demand for spare parts for the National Coal Board (NCB). There is not expected to be a bonanza for suppliers, however, as the extra repair work is likely to be at least partially offset by a reduction in the number of coalfaces in operation.

Reviewing individual UK companies, the report says that Dobson Park Industries is particularly vulnerable to the strike, with 50 per cent of its sales and a higher percentage of profits normally coming from the NCB. Its mining equipment operations could still return to profit in 1984-85 if the strike ends by the end of this year.

The Dowty Group is described as having probably been less affected by the strike than any other large UK mining equipment concern.

The worst-hit company is said to be Victor Products, since the NCB normally takes 45 per cent of its sales. Once the strike ends the company will pick up substantial replacement business, the study says.

● The pit strike is indirectly affecting Hawker Siddeley Canada, a major producer of resource industry machinery and transportation products, Robert Gibbons writes.

The National Coal Board is normally a major customer for mining equipment sold by Dosco Overseas Engineering, a British-based subsidiary of Hawker Canada.

John Lloyd reports on the back-to-work movement

Record return by miners

THE NATIONAL Coal Board (NCB) yesterday had its best day yet for a return to work by striking miners. A record number of about 1,900 men reported at the pits for the first time since the strike began over eight months ago.

It was a considerable boost for the board in its increased efforts, now that negotiations with the National Union of Mineworkers (NUM) have ceased, to persuade the strikers to go back. Almost as many miners returned yesterday as in the whole of last week – when there were 2,200 "new faces" at the pits – and that itself was easily the best week yet for the board.

The totals make the strategy on which the Government now relies – a continuous drift back to work ultimately breaking the strike – credible for the first time.

The board claims that about 56,000 men, or a third of the NUM membership, are now at work (including the large Nottinghamshire coalfield where most men have continued to work throughout the strike.) Mr Arthur Scargill, president of the NUM, conceded yesterday that some men were returning, but claimed that only 40,000 were not on strike.

The return to work by striking miners was again led yesterday by the North Derbyshire coalfield, where 523 men went back to take the total working to about 2,400, or nearly a quarter of the area's labour force. Markham colliery, the field's biggest, began producing coal for the first time, joining Bolsover, Shirebrook, Warsop and Whitwell.

In Yorkshire, Britain's biggest coalfield and regarded as Mr Scargill's "heartland" (the NUM has its headquarters in the county at Sheffield), 342 men returned to work yesterday. This more than doubled last week's total of working miners to 614.

In the north-east of England, 232 men went back, almost trebling last week's total to bring it to 321.

WORKING MINERS IN THE BRITISH COALFIELDS

Area	Men returning yesterday	Total at work	Total miners*	Per cent working
Scotland	201	671	10,000	6.7
North-East	232	321	20,300	1.6
Yorkshire	342	614	53,000	1.1
Western	408	9,500*	14,000	68
N. Derbyshire	523	2,410*	10,500	23
Kent	18	54	2,200	2.4
Warwicks	59	3,900*	4,400	89
Notts	97	28,500*	30,000	95
Leics	†	2,270*	2,300	98.5
S. Derbyshire	†	3,280*	3,300	99
South Wales	21	54	19,600	0.3

* Figures are approximate; † The NCB no longer keeps figures of miners returning in these areas where most miners are at work.

Source: NVB

In the Western area 348 men went back. Coal production in the area is now over 100,000 tonnes a week. At Agecroft Colliery output per manshift is hitting records at 4.07 tonnes. Only in South Wales are numbers still very low. Even there, the 21 new faces nearly doubled last week's total to 54.

The financial package now offered by the NCB to returning miners is clearly the largest factor in decisions to return – coupled with what Mr Michael Eaton, the NCB's spokesman, yesterday called "despair" by miners over the failure of talks.

Miners returning to work between now and November 19 – next Monday – can expect to earn in the fourth week (just before Christmas) a total of £658 for a faceworker.

That package is made up of £130,30 weekly wage, £2.35 bathing and changing allowance, holiday allowance of £325.75 (for 12½ days), statutory rest day payment of £130.30, and service bonus (payable after two years' service) of £70.

The decision to pay these entitlements in the fourth week is a contentious one. Mr Arthur Scargil, the NUM president, said yesterday he would challenge it in the courts since all miners were entitled to the payments.

In total, miners returning by next Monday can expect to earn about £1,400 by the end of the year – a powerful temptation for family men worrying about children's presents.

The November 19 date has taken on a special significance for all in the industry, since it is assumed that after it is passed the return to work momentum will falter – though NCB officials expect that the drift back will continue at a relatively high level.

Mr Eaton was cautious yesterday. He would not be drawn into predicting that the return to work marked the end of the strike – ministers have been less cautious.

"It is significant, but not so significant that it alone can end the strike. But if it went to national ballet, then I believe there would be a return to work," he said. The board is looking to the NUM executive on Thursday to call a ballot. It is unlikely to do so.

Mr Eaton's caution is well advised. Even if the next five working days to Monday brought in as many as 10,000 "new faces" – a very optimistic total – more than 100,000 miners would remain on strike.

Minister condemns picket violence as 'blatant criminality'

BY PHILIP BASSET, LABOUR CORRESPONDENT

POLICE WERE last night braced for further violence in mining areas today as the return-to-work gained momentum.

The Government described picket line violence yesterday, mainly in the South Yorkshire coalfield, as "blatant criminality."

Mr Giles Shaw, Home Office Minister, said the quantity and range of violent action was "quite beyond a normal, peaceful, industrial dispute."

The "moral guilt" for the violence should be levied at the leadership of the National Union of Mineworkers (NUM), and he called on the union's leaders to halt the violence. He said that Mr Arthur Scargill, NUM president, was "perfectly capable" of calling off the pickets.

Mr Scargill condemned violence by the police, but repeated that he was not prepared to condemn members of the NUM whose only crime was to fight for the right to work.

"No pickets go out with the intention of violence. There is no question of that," he said. He had not seen any throwing of petrol bombs.

Pickets switched their tactics yesterday – at least partly to compensate for their much smaller numbers overall than at earlier stages in the dispute.

Much of their action was directed away from the pits, in what police saw as an effort to draw their forces away from the mines where they were giving protection to those returning to work. Senior police officials admitted, however, that they had been unprepared for such tactics.

Probably the worst violence was in South Yorkshire, where a record number of miners returned to work yesterday. Trouble flared in about 12 pit villages, leading to 45 arrests, and injuries to 13 police and nine pickets.

South Yorkshire police said it was the single worst night of violence since the strikes began. It was co-ordinated throughout the country.

Mr Peter Wright, South Yorkshire's chief constable, said the violence was "quite outstanding" in terms of the police's experience of the dispute so far. It was "quite horrific." He said people might be killed if the violence persisted in this way.

Mr George Moores, chairman of the South Yorkshire police committee, said he thought that a large proportion of those causing the violence were "not miners," but unemployed youths expressing their frustrations.

At Dinnington, the police station was besieged for some hours, with police reporting two petrol bombs being thrown. Other missiles included four-inch long steel bolts – one of which went through glass and a venetian blind and then embedded itself in a plaster wall

Police were ambushed by pickets at the nearby pit, an electrical shop was looted, street lamps were uprooted and pickets built a barricade by setting fire to an old car.

At Cortonwood, one petrol bomb was thrown at a police car, and police said they had discovered a crate there containing six further primed petrol bombs.

The police station at Maltby was also attacked, and a barricade was set up between the town and its pit, using uprooted lamp standards to obstruct police vehicles. Wires were reportedly strung across the road at head height.

A nearby garage was broken into, and oil and glass strewn across the road to the pit. This was a tactic deployed elsewhere, and police estimated that about 3 tonnes of broken glass had been used.

Solex and Landi form joint venture

BY JOHN GRIFFITHS

SOLEX, the UK-based car and light commercial vehicle fuel systems manufacturer, has entered a joint venture with Landi SpA of Italy to expand production of liquefied petroluem gas (LPG) propulsion systems.

A new jointly-owned company, Solex Landi SpA, will be based at Reggio Emilia in Italy. Production will take place in the UK.

Landi claims to be Italy's largest producer of conversions allowing vehicles to run on LPG. Under the joint company the LPG systems of the partners will be rationalised and updated, using Solex-developed electronics. Increased production of 20,000 units a year is forecast.

The market for LPG conversions remains relatively small in Europe. The largest markets are Holland, at 55,000-60,000 a year and Italy, which takes 65,000-70,000. Mr Paul de Backer, managing director of Solex, said, however, that a catalyst for the joint venture decision was that the French Government was allowing dual-fuel systems to be fitted on cars in France from next year and that a 30,000 a year market for such systems should be created from 1985 onwards.

The two companies are also jointly to develop markets in North America, while Solex sees further potential in New Zealand and in Australia.

Solex has put back until the spring the launch of its electronic fuel injections systems for conventional petrol-engined cars, a sector in which it is seeking substantial original equipment business from car manufacturers.

Microchip problems are being blamed for the delay in the launch, due to have taken place at the end of this year.

The Chancellor's statement in full

MR NIGEL LAWSON, the Chancellor of the Exchequer, said in his statement to the House of Commons yesterday:

With permission, Mr Speaker, I should like to make a statement. As is now customary, I am laying before the House today an autumn statement which contains the Government's outline public expenditure plans for 1985-86, proposals for national insurance contributions next year, and the forecast of economic prospects for 1985 required by the 1975 Industry Act.

The Government remains committed to reducing taxation, and therefore keeping firm control over Government spending.

Following this year's public expenditure review, the public expenditure planning total for next year, 1985-86, has been set at £132bn. As the House will recall, this is within the provisional figure for 1985-86 published in the public expenditure White Paper in February.

The Government has thus succeeded for the third year running in holding the planning total to the level announced in previous White Papers.

After allowing for inflation, public expenditure next year is planned to be broadly the same as was planned for this year, and below the likely outturn for this year, which has been inflated by the cost of maintaining electricity supplies during the coal strike. With the economy continuing to expand, public expenditure is a percentage of national output should fall next year to its lowest level for six years.

The revised plans contain a reserve for contingencies of £3bn. This is £½bn less than the provisional reserve for 1985-86 allowed for in the February White Paper, when departmental spending plans for 1985-86 were less well defined, but £¼bn more than this year's reserve.

The allocation of this £½bn to specific expenditure programmes, coupled with an increase in forecast receipts from the privatisation programme, has enabled most, though not all, programmes to show an increase in spending over the White Paper figures.

But to contain these increases to dimensions compatible with the overall £132bn planning total has required some hard decisions.

Thus, there will be increased spending on the National Health Service, but individual health authorities will be expected to become more efficient and to absorb any pay and price increases within the money made available to them. In addition, by Right Honourable Friend the Secretary of State for Social Services has already announced important measures to cut costs by *limitations on* NHS prescribing, and there will have to be increases in charges.

Again, spending on social security *will increase*, but to contain the scale of the increase my Right Honourable Friend will be announcing a number of new measures, including substantial *savings in* supplementary benefit provision for board and lodgings claimants. The 5 per cent abatement of invalidity pension which has applied since 1980 will, however, be restored from next November.

Yet again, there will be increased provision for education, partly offset by a reduction in spending on student grants.

By contrast, because fewer young people than expected have needed to take up places on the Youth Training Scheme, my Right Honourable Friend the Secretary of State for Employment is able to apply some of the consequential savings to expand other employment and training measures, including the Enterprise Allowance Scheme, within a reduced overall total. My Right Honourable Friend will be announcing his new proposals to the House later this afternoon.

Other programmes to have reduced provision include agriculture and housing.

Fuller details of these and other changes are contained in the Autumn Statement itself. But I should add that the Treasury will be making its own contribution to the need for savings.

The £1 coin has 50 times the life of the note, yet costs less than twice as much to produce. Accordingly, I have instructed the Bank of England to cease issuing £1 notes after the end of this year, although the note will continue to be legal tender for at least a year. This will save £3m of public expenditure in the first year alone.

It may be for the convenience of the House if I take this opportunity to announce two other changes in the currency. First, and subject to approval by the Privy Council, the ½p, which has not been issued since March 29 this year, will cease to be legal tender after December 31. And second, on Thursday of this week, the Bank of England will be issuing a new version of the £20 note, which should be more difficult to forge.

Mr Speaker, this year's review of expenditure plans has, as usual, also covered the Government's public spending plans for the two later years, 1986-87 and 1987-88. The details will be published in the usual way, in next year's public expenditure white paper. They will show that total public spending is planned to remain broadly constant in real terms right up to 1987-88 which implies a continuing steady reduction as a proportion of GDP.

I now turn to National Insurance contributions. The Government has conducted the usual autumn review of contributions in the light of advice from the Government Actuary on the prospective income and expenditure of the National *Insurance Fund*.

As last year, we have decided to reduce the taxpayer's contribution to the fund—the so-called Treasury Supplement—*by 2 per cent, bringing it down* to 9 per cent. But this will not require any corresponding increase in contribution rates.

Thus, the full class 1 rate will remain unchanged at 9 per cent for employees and 10.45 per cent for employers. In addition employers will be relieved of the burden of contributions on payments under *the Statutory* Sick Pay Scheme, which in due course will be extended to cover the first 28 weeks of sickness.

As usual, the earnings limits *will need to be increased* broadly in line with inflation. From next April, the lower earnings limit will rise to £35.50 a week and the upper earnings limit to £265 a week.

Next year, of course, employers will enjoy the full benefit of the abolition of the National Insurance surcharge which took effect only last month. Taking this into account, the total burden on employers in 1985-86 is expected to be significantly less in real terms than in the current year, 1984-1985, despite a rising labour force.

My Right Honourable Friend the Secretary of State for Social Services will this afternoon announce details of the changes in the Social Security (Contributions, Re-rating) Order, and will lay before parliament the accompanying report by the Government Actuary.

Finally, I turn to the Industry Act forecast.

Since the Budget, the economy has had to endure a number of testing developments, both at home and abroad, of a sort which not so long ago would have driven it off course. This time, they have not done so.

Monetary growth has been in line with the targets I set at the time of the Budget, and inflation has remained low: perhaps 4½ per cent in the last quarter of this year.

Total national output, which reached its highest level ever last year, looks set to rise by a further 2½ per cent this year. Had it not been for the coal strike, growth this year would probably have been 3½ per cent.

Investment has been rising particularly strongly; indeed, over the economy as a whole, I expect it to reach a new all-time high this year.

Employment has been rising at a brisk pace since early 1983, but not yet strongly enough to check the rise in the numbers of those registering as unemployed.

The outlook for jobs, will however, have been helped by the recent fall in interest rates which largely reverses the increase during the summer. Provided we stick firmly to present policies, the prospect is of further interest rate cuts ahead.

This year's PSBR is likely to turn out higher than the £7¼bn I envisaged at the time of the Budget, chiefly as a result of the coal strike. If the strike were to end at *Christmas*, it would add some £1½bn to borrowing this financial year; and the public expenditure planning total would be exceeded by about the same *amount*. *On* that basis, as I indicated to the House on October 30, I estimate that the PSBR for 1984-85 would be some £8½bn, subject to the usual margin of uncertainty at this time of the year. A PSBR of this size would still be comfortably the smallest proportion of GDP for well over a decade.

For next year, with continued firm monetary and fiscal policies, inflation is expected to edge down slightly to 4½ per cent by *the fourth quarter*. Output and employment will continue to rise, with total output expected to be up by a further 3¼ per cent in 1985, of which about 1 per cent represents the assumed recovery from the coal strike.

Within this total, the forecast suggests that 1985 will be another good year for exports and industrial investment. Indeed, investment by non-North Sea business is expected to rise in real terms by 7 per cent next year, following an 11 per cent rise this year.

The House will wish to know *what all this means so far as* prospects for next year's Budget are concerned.

The forecast makes the conventional assumptions that *income tax and excise duties* are both indexed in line with prices, and that the PSBR is held next year to the £7bn, or 2 per cent of GDP, indicated *in the medium term financial* strategy published at the time of the last Budget.

It also takes into account the changes made in this year's *Finance Act, which will take* full effect next year, and reduce taxation in 1985-86 by some £1½bn. Beyond that, the margin of uncertainty at this stage is *very considerable, and the House* will understand that the prospects for 1985-86 will need to be reviewed again, in the light of more up-to-date information, before *I come to make my Budget judgment* next year.

On this basis, I am glad to say that it does look as if there will be scope for some further net reductions in taxes in next year's Budget. I am sure the whole House will welcome this prospect. The best figure I can put on it at the present time is about £1½bn.

Mr Speaker, the Autumn *Statement is now available from* the Vote Office and the House will no doubt wish to take it into account when we debate the economy tomorrow.

It shows that for the fifth year running—that is, for every single year since the Government introduced cash planning for public expenditure—*spending plans have been held at or below* previous White Paper totals.

It shows, too, that we are now in the fourth year of steady growth, *with a further year of* investment- and export-led growth in prospect, and with no sign whatever of a resurgence of *inflation*. And the numbers *in work* are rising strongly for only the third time since the 1960s.

The statement I have published today sets the background against which further reductions in taxation should be possible, to help further stimulate the enterprise and dynamism of the British *economy and produce more jobs* for our people.

Mr Nigel Lawson, the Chancellor, outside 11 Downing Street yesterday

Lawson attacked over jobless

By Ivor Owen

MR NIGEL LAWSON, the Chancellor of the Exchequer, was criticised from both sides of the Commons yesterday for failing to hold out any hope of more direct Government action to reduce unemployment and for sidestepping demands for an assurance that there would be no reduction in Britain's overseas aid programme in 1985-86.

His response that the tax cuts he intends to introduce in next year's Budget offered the most realistic hope of creating more job opportunities, and that it was for Sir Geoffrey Howe, the Foreign Secretary to decide how much of the money allocated to his department is spent on overseas aid, clearly failed to satisfy a number of Conservative MPs, as well as the Opposition benches.

Mr Roy Hattersley, Labour's deputy leader and shadow chancellor, predicted that the revenue foregone by the income-tax cuts made next spring would be exceeded by the sum raised by simultaneous increases in indirect taxes.

To Labour cheers, he called for the £1.5bn the Chancellor suggested was likely to be available for tax cuts to be allocated directly for public sector projects so that jobs could be provided for some 250,000 men and women now out of work.

Ignoring Conservative protests, he accused the Government of pursuing a callously calculated policy requiring a permanent pool of 3m unemployed, and predict that such heartless disregard for millions of families would not be tolerated by the country.

Mr Lawson retorted that Labour MPs were seeking to exploit the plight of the unemployed and insisted that the answer to the problem was to create a more vigorous and more enterprising economy and that is why it is essential to reduce the burden of taxation.

He said the Government Actuary's assumption—not a forecast—was that unemployment in Great Britain, excluding school leavers, would average 3m this year and 3m in 1985-86.

Dr David Owen, leader of the Social Democrats, said there was a certain amount of scepticism about the assumption made by the Government Actuary, and complained that it seemed to be the Chancellor's intention to produce further tax cuts to help those in jobs, with those on high incomes deriving the most benefit.

He maintained that any resources available should be used to provide jobs, particularly through capital spending, and to reduce employers' costs, through lower National Insurance contributions, to encourage them to take on more workers.

Mr Lawson noted that the SDP leader was "not in favour of lower taxes," and said that, while the Government would do everything in its power to reduce unemployment, it was "an illusion to suppose that this can be done through increasing public expenditure."

Mr Peter Tapsell (Con, Lindsey East) delivered the most outspoken challenge to the Chancellor from the Government backbenches by emphasising that Japan and the U.S., the most successful economies in the world, had consistently run a public sector borrowing requirement greater than that of the UK, with the result that they had much higher levels of employment and lower rates of inflation.

There were nods of approval from some of his Conservative colleagues and a burst *of cheering from the* Labour benches when he declared that it was "time for this Government to launch a real campaign to bring down unemployment."

King gives £325m boost to Enterprise Allowance Scheme

BY KEVIN BROWN

THE GOVERNMENT yesterday announced an extra £325m for the Enterprise Allowance Scheme, which provides grants of £40 a week to help unemployed people start up in business.

Mr Tom King, the Employment Secretary, said the first tranche of £72m would be made available next year, followed by another £253m in the following two years.

The new money will increase the number of entrants to the scheme from about 1,000 a week to 1,250, boosting to 62,500 the number of people expected to join the scheme next year.

Mr King said the scheme had fully justified the Government's belief that many unemployed people would go into business for themselves if they were given the chance.

Over 55,000 people had benefited since the scheme was launched, and the latest figures showed that 70 per cent of new businesses still trading after 18 months, he said. Over 50 new jobs had been created for every 100 new companies established.

Extra money for the enterprise scheme was one of a number of job creation measures announced by Mr King during a debate on employment and industrial aspects of the Queen's Speech.

He also announced, however, a reduction in the proportion of the statutory redundancy grant paid by the Government from 41 per cent to 35 per cent.

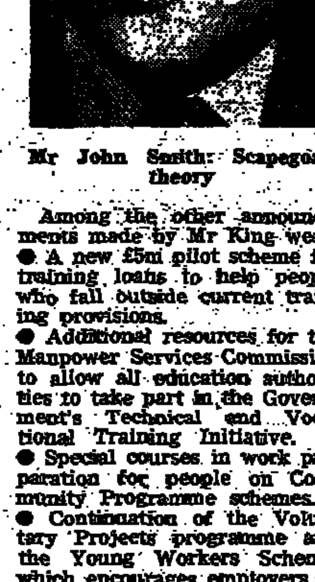
This does not affect the amount received by redundant employees, but will increase the contribution paid by employers.

Mr King said it was reasonable to make the change now because the Government had maintained the higher level of contributions throughout a period of heavy redundancies.

The actual cost to industry would be small compared to the substantial benefits that would accrue in the coming year from the abolition of the National Insurance surcharge, he said.

Mr John Smith, the shadow Employment Secretary, accused the Government of being dedicated to a "scapegoat theory of politics," in which it blamed everyone but itself for unemployment.

Mr Smith put forward a six-point plan to boost industrial investment, research and development, training, and regional development, including a "new partnership between Government and industry and between employers and trade unions."



Mr John Smith: Scapegoat theory

Among the other announcements made by Mr King were:

● A new £5m pilot scheme for training loans to help people who fall outside current training provisions.

● Additional resources for the Manpower Services Commission to allow all education authorities to take part in the Government's Technical and Vocational Training Initiative.

● Special courses in work preparation for people on Community Programme schemes.

● Continuation of the Voluntary Projects programme and the Young Workers Scheme, which encourages employers to employ young people in full time permanent jobs at rates of pay "which reflect their age and inexperience."

● Continuation of the experimental Job Release and Job Splitting schemes, with increased allowances to make them more attractive.

Mr King also announced the extension of eligibility to join the Youth Training Scheme to some 18-year-olds who have been unable to take part.

YTS had "clearly established itself with employers, and we are now going to improve it by further developing and improving the quality of the training provided," he said.

Improvements would be concentrated on the overall quality of the schemes, he added.

Mr King said nearly 60 per cent of people leaving YTS courses were going into full-time employment.

Raison hints at intention to give notice to quit Unesco

BY KEVIN BROWN

THE GOVERNMENT yesterday gave a clear indication that it is seriously considering giving notice of its intention to leave Unesco, the United Nations Educational Scientific and Cultural Organisation.

Mr Timothy Raison, the Overseas Aid Minister, told the Commons Unesco had made some progress in meeting British criticism "but not nearly enough."

He made clear that the Government was considering very carefully complaints that Unesco is corrupt and inefficient and has become involved in politically motivated programmes unacceptable to the West.

Mr Raison said attempts to reform the organisation from within could continue during the year following notice of withdrawal, after which British membership would be terminated unless the Government changed its mind.

He told MPs: "Some people would be very concerned if we were to withdraw, others would say that a decision to withdraw would be a very effective way of keeping up the pressure."

Mr Raison was pressed by Conservative MPs to follow the *example of the U.S.*, which has already given notice of withdrawal.

Dr Ian Twinn (Con, Edmonton) said there was grave disquiet about Unesco. The case for withdrawal would become unanswerable without progress towards programme of "real practical benefit to member states," he said.

Mr Colin Moynihan (Con, Lewisham East) urged the Government to work towards the UN norm of 0.7 per cent of gross national product for foreign aid, and warned that cuts in the aid budget would be regarded with great concern.

But he urged the Government not to declare its intention to withdraw from Unesco unless sufficient progress was made by the end of next year.

Mr Guy Barnett (Lab, Greenwich) said there were grave reservations about the way Unesco was being run. But British withdrawal along with the U.S. would cause great concern in the Third World.

Later, Mr Raison ruled out a new international body to improve the co-ordination of disaster relief, in the wake of criticisms of the Western *response* to the *Ethiopian* famine.

Mr Raison said a new organisation was not necessarily the right answer. What was *essential* were "proper plans" to make sure that in future sufficient aid could be distributed to disaster areas."

Lawson takes a nasty tumble

PARLIAMENTARY SKETCH

SHORTLY BEFORE the Chancellor's statement yesterday, Tory backbenchers were getting in a tizzy about the number of riders being thrown from their horses, and Transport Minister of State Lynda Chalker, strongly urged the precaution of wearing reflective belts and hard hats.

Nigel Lawson could certainly have done with this equipment, when he took a nasty tumble half way through his text.

With a great flourish, he announced that the Treasury would be making its own contribution to the spending cuts by withdrawing the £1 note at the end of the year. Why, in the first year alone this would result in a saving of £3m.

Unfortunately for Nigel, this master stroke failed to impress the House. Labour MPs, who regarded it as a saving of candle ends, rolled about with laughter and several Tories joined in.

But the Chancellor, who *is* not a man to take kindly to ridicule, stumbled on to yet another anti-climax with the announcement that the halfpenny *would cease to be legal* tender at the end of the year and a new £20 note would be issued which would be more difficult to forge.

The opposition thought there was something decidedly dodgy about the statement the Chancellor was trying to put out over the despatch box, and their mirth became so great that Speaker Bernard Weatherill, had to come to his rescue.

It was not at all the cocky, self-confident performance we have come to accept as the Lawson hallmark. At times, he seemed nervous and hesitant and even put himself out to be polite to questioners, an uncharacteristic gesture which was a sure indication that he was in trouble.

Before he rose, he had a hurried consultation with Mrs Thatcher and they appeared to be going over the contents of the statement together. "He's run up the white flag," jeered one Labourite.

There was a restrained cheer from the Tory back benches at the prospect of income tax cuts in the Budget. But when it came to the reductions in expenditure, there seemed to be a suspicious lack of detail in the statement.

The Chancellor blindly declared that there would be reduced provision for agricultural assistance and housing, without giving a hint of the figures involved. Increases in prescription charges would be a matter for the Social Services Secretary. "You're chicken, tell us now," protested Labour MPs.

The omission which really angered them, and many Tory backbenchers as well, was the failure to say whether overseas aid would be cut or by how much. Questioners were rewarded with the opaque answer that it formed part of the overall Foreign Office budget, which remained unchanged in total.

Mr Lawson insisted that the size of the overseas aid budget was not a matter for him but for Sir Geoffrey Howe, the Foreign Secretary. Once again that long-suffering and faithful servant has been lumbered with a job of announcing an unpopular decision to hostile Tory MPs.

The exchanges were followed by a spectacle which has become almost a part of the Westminster tradition—the expulsion from the Chamber of Labour left-winger and miners' MP Dennis Skinner.

This time, he protested that *Dr David Owen*, the SDP leader, had been allowed to put a long question and had been one of the first to be called. "That is going a little bit too far, even for that pompous sod," objected Mr Skinner.

The Speaker immediately ordered him to withdraw the remark, and Dennis mulled it over. "Certainly," he agreed. "I will withdraw the word pompous."

As the Speaker ordered him out of the Chamber for the rest of the day, Neil Kinnock, was seen in heated conversation with Labour Chief Whip Michael Cocks.

Judging by his desperate gestures, Mr Cocks seemed to be saying that he had given up trying to control the bad boy from Bolsover.

John Hunt

Sunday Times blamed for flight of bombing suspect

SIR MICHAEL HAVERS, the Attorney General, yesterday blamed a report in the Sunday Times for the apparent disappearance of a suspected IRA bomber.

The report suggested that the Garda, the Irish police, had delayed executing a warrant for the arrest of Miss Evelyn Glenholmes, who subsequently disappeared from a council estate in Dundalk where she had been living.

The report provoked a diplomatic row between London and Dublin, *culminating* in a statement from Sir Michael exonerating the Irish authorities.

Yesterday, Sir Michael told the Commons that the correct extradition procedures *had* been followed in the case of Miss Glenholmes.

But he admitted that the original documents were not completely in order, and were returned to London for amendments.

"Unfortunately, by reason of information being published ahead of time, it appears the person concerned cannot be found," he said.

Sir Michael was asked by Mr John Morris, the "shadow" Attorney General, to confirm that there was no basis for complaint regarding the failure to execute the warrant.

He replied: "The procedure that was followed is the proper procedure. The doubts that were expressed by the Garda were quite right; there were mistakes."

Sir Michael said the Garda "have behaved impeccably, if I may say so, not only in this case but in all other cases."

Havers 'will answer for Ponting decision'

SIR MICHAEL HAVERS, the Attorney General, told the Commons yesterday he would have to answer for his decision to prosecute Mr Clive Ponting, the senior civil servant accused of leaking documents to an MP, once the case was dealt with.

He repeated comments about the Ponting case which he made in a radio interview last month and which led to him being criticised by Mr Ponting's solicitor.

"Once the case has been disposed of, I shall have to answer for my decision, and I am not frightened to do it," Sir Michael told MPs at Question Time.

Mr John Morris, the shadow Attorney General, challenged Sir Michael's prudence in making remarks in a BBC radio interview about the decision to prosecute Mr Ponting.

During the interview, the Attorney-General told the House, he had said: "It was simply a case of a very senior civil servant who had disclosed matters which I say he had no right to disclose. But that would be a matter for the court."

Thatcher voices confidence over coal strike

BY MARGARET VAN HATTEM, POLITICAL CORRESPONDENT

THE PRIME MINISTER last night emphasised the Government's growing confidence that the coal strike will be resolved by a return to work, insisting that there was no prospect of power cuts.

Giving the annual speech at the Lord Mayor's banquet at the Guildhall, Mrs Thatcher said it was remarkable how little effect the dispute had had on the rest of the economy.

"It *is remarkable, too*, that there have been no power cuts, nor are any in prospect," she added.

"Day by day, responsible men and women *are distancing themselves* from this strike. Miners are asserting their right to go to their place of work."

The strike, she said, was a *fundamental challenge* to the National Coal Board, to the Government, to miners "whose rights as members of the union are being treated with disdain and *whose suffering is being* callously disregarded by a ruthless leadership," and to trade unionists generally, whose good name was being tarnished by the conduct of the dispute.

"This challenge will not succeed," she insisted. "The Government will hold firm. The coal board can go no further."

It had been a tragic strike, but good would emerge from it, for the example of the working miners would "advance the cause of moderate and reasonable trade *unionists* every where." When the strike ended, it would be their victory.

Mrs Thatcher suggested that the Government may use the *example of picket line violence* to justify the introduction of new police powers.

"If the police and courts are lacking in the power necessary to *keep order in a free society*, and necessary to protect the weak against the strong, then we shall introduce measures which give them what they need."

In summing up, Mrs Thatcher linked picket line violence with terrorist attacks and the deliberate flouting of the law as "forces of violence and intimidation in our midst."

However, earlier she referred only in passing to the Brighton bombing, saying there must be no hiding place for the terrorist "whether he pursues his callous trade in Brighton or in Beirut,

Mrs Thatcher began by welcoming *President Reagan's* election victory. "It proved once again something I believe to be as true of politics as it is of television: all the best *programmes run for* more than one series," she declared.

Britain and America must co-operate in giving priority to three things: negotiation on the *issues which divided East and* West; action against terrorism; and maintenance of economic recovery.

East and West must start negotiating soon because they were on the verge of new technologies in space which would cost much to develop, and because the generation in government on both sides was resolved that the horrors of war which they had experienced should not be inflicted on future generations.

Britain, in seeking a real and lasting improvement in East-West relations realised that the differences between the two systems were fundamental and *that Soviet ideology was* implacably opposed to that of the West.

But both sides faced a common threat from the *destruction and devastation* of conflicts, and shared a desire to spend more on the wellbeing of their people and less on the weapons of war.

However, Mrs Thatcher also called on President Reagan to give urgent attention to reducing the U.S.-budget deficit. The sheer size of which in relation to world savings had driven interest rates to very high levels

Mrs Margaret Thatcher: We shall give police the power to keep order in a free society

UK NEWS—THE ECONOMIC STATEMENT

Growth in domestic demand and exports rise seen next year

In a statement after the Chancellor sat down, the Treasury said: 1984 looks like being the best year since 1976 for growth in world output and trade. Price rises, particularly in commodities but also in industrial products, are low. Next year will see slower growth in the United States, partly offset by somewhat faster growth in parts of Europe. With world interest rates likely to remain high in real terms, and with major debt problems easing only very slowly, many developing countries will have to make further adjustments.

This forecast is based on the usual assumption that fiscal and monetary policies in 1985-86 will be as indicated in the 1984 Medium Term Financial Strategy in the Financial Statement and Budget Report. It is also based on the formal assumption that the coal strike will be over by the end of 1984.

In the first half of 1984 total output in the UK was over 3 per cent up on a year earlier despite the losses caused by the coal strike. With rising real incomes benefiting both the personal and company sectors, and with companies having successfully restored their financial positions, domestic demand should grow substantially again in 1985. With further growth in prospect for UK markets overseas, exports should record another rise.

Total output in the UK is forecast to rise by 3½ per cent in 1985 (of which 1 per cent represents recovery from the coal strike). The rise in employment, over 1 per cent in the year to mid 1984, is expected to continue.

Price rises and wage settlements have been fairly steady since early 1983. Inflation this year has been much as expected in the Budget forecast despite a lower exchange rate. Inflation in 1985 is expected to decline gradually.

Britain's external accounts were in substantial surplus in the period 1980-83, contributing to the rapid build up of overseas assets. In 1984 extra oil imports have contributed to a position of near balance so far; with the ending of the coal strike, a return to surplus is forecast. North Sea oil production in 1985 may be close to its maximum.

For the 1984-85 financial year as a whole, higher oil revenues are likely to be more than offset by higher expenditure including the extra costs of the coal strike. Although the outturn is still uncertain, the result is forecast to be a PSBR of £8½bn, some £1½bn above the budget forecast. For next year, 1985-86, latest forecasts suggest that there would be scope for tax cuts of about £1½bn if the PSBR were to be the £7bn, or 2 per cent of GDP, assumed in the last MTFS.

1984 is showing a rapid growth in world output and trade. The combined GNP of the major six economies other than the UK is likely to grow by about 5 per cent with an increase of nearly 10 per cent in total world imports. At the same time, inflationary pressures have been low: consumer prices are rising at about 4½ per cent, much as in 1983.

These developments have been heavily influenced by movements in the U.S. economy. This year, total output in the U.S. may be 7 per cent or more by volume above 1983 levels, domestic demand 9 per cent up and total imports up over 25 per cent. Coupled with the continued large budget deficit in the U.S., the expansion has contributed to the general rise in the level of world interest rates—a major factor constraining activity in Europe and many developing countries.

Commodity prices picked up sharply in the course of 1983 as expectations of recovery were finally confirmed, but more recently spot prices have fallen back some way; perhaps because so many producers are under financial pressures to maximise revenues and output, and because in the industrial countries restocking has been modest. Oil prices, set in terms of the strengthening dollar, rose 5 per cent in real terms between mid 1983 and late 1984, but the resulting imbalance in the market, compounded by higher production and only very limited recovery in demand, may now be bringing about some adjustment.

The U.S. economy seems set for slower growth. As the economy gets nearer to full employment and high rates of capacity utilisation, slower growth is likely, particularly in interest-sensitive areas of domestic demand such as stockbuilding, housing investment and consumer durables. Interest rates have recently fallen from the levels reached in the middle of 1984. But next year, lack of progress in reducing the fiscal deficit would tend to keep interest rates high. It is assumed that the deficits continue to be funded without any major break in confidence. Although the U.S. policy imbalance is unsustainable, it is difficult to foresee when or how it will be resolved.

In Europe the recovery has not yet gone very far and a growth rate of 3 per cent or so could well be sustained in 1985. In the developing countries, faced with the prospect of continuing high interest rates, a strong dollar and weak terms of trade, growth of domestic demand and imports may again be subdued, with major adjustment problems remaining; and Opec markets are also liable to be weak.

Overall, the slowdown in the U.S. will probably not be fully offset by higher growth elsewhere and the fall in unemployment in the U.S. over the past year may not be repeated. Nevertheless, 1985 could well be another year of fair growth and low inflation.

The Exchange Rate and The Balance of Payments

The Budget forecast assumed that the sterling index would be close to its average level last year of 83. In the event, the sterling index has been weaker than this, to a considerable extent because of the unexpected strength of the dollar, but also because of industrial disputes. For this forecast it is assumed that the level of the sterling index in 1985 will not change much from the current level.

In the absence of major changes in cost competitiveness or other aspects of trade performance, prospects for growth of UK exports will depend mainly on expansion of UK export markets. With world trade in manufactures forecast to rise by 4-5 per cent next year, exports might well grow by 3-4 per cent in volume terms in 1985. This would be consistent with recent survey evidence from the CBI, showing positive balances on the exports optimism indicator, and on expectations of export orders and deliveries.

Increases in import penetration in manufactures in both volume and value terms have been broadly offset, for the economy as a whole, by falls in imports of oil as North Sea production has risen. These trends are expected to continue next year, as domestic demand for manufactures—noticeably more cyclical than total domestic demand—continues to grow strongly. Imports of goods other than oil could rise by 7 per cent in 1985, much the same as in 1984. With oil imports assumed to fall after the end of the coal strike, total imports of goods may rise by 4½ per cent in volume terms.

With UK unit labour costs in manufacturing expected to continue to grow a little faster than the average of our major competitors there may not be any further gains in cost competitiveness in 1985. After reaching 10 per cent this year the rise in import prices for manufactures is likely to decline, perhaps to an annual rate of some 3 per cent by the second half of 1985, broadly in line with world inflation.

This slower growth of import prices, on the assumption of stability in the sterling index, should play a role in keeping domestic inflation low over the next year, and in maintaining the terms of trade close to current levels.

Despite the effect of the coal strike in raising oil imports this year by some £2bn, the outturn for the balance of trade in oil may exceed last year's surplus of £7bn, helped by higher sterling oil prices and higher North Sea oil production.

Trade statistics have been distorted by the dock strikes but the underlying trends have shown a slower growth in volumes of both exports and imports than at the turn of the year. Nonetheless, it is likely that the volume of exports of goods will be 7 per cent higher this year than in 1983, the best performance since 1977. Imports of manufactures have also been growing strongly this year as a result of the continuing recovery in domestic demand.

The balance on services, as a percentage of GDP, reached a low point in 1983, as the effects of the loss of competitiveness were felt, and the decline in the UK merchant fleet reduced the balance on sea transport by £1bn between 1980 and 1983. Some of this loss of competitiveness has now been regained and the services balance has started to recover: with a slower decline in the UK fleet and a fairly buoyant world economy, we expect a continued improvement next year.

The balance on interest, profits and dividends (IPD) has risen from zero in 1980 to an estimated £1½-2bn in 1983, with the build up of the UK's net assets overseas following the abolition of exchange controls: see table 1.2. (Estimates for the first half of 1984, which put the IPD balance at only £1.2bn at an annual rate, are provisional and liable to be revised upwards). This in turn has been made possible by the capital outflows which reflected the large current account surpluses of the 1980-83 period, assisted by rises in stock market prices and currency revaluations, especially the fall in sterling against the dollar (in which roughly half of the UK's overseas assets are denominated). If, as is assumed, the fall in the dollar/sterling rate comes to an end, the ratio of net assets to GDP may grow more slowly. But the assets will continue to provide a stream of income in future years, when North Sea oil production may be lower than at present.

The estimate of a current account balance in 1984 compares with a CSO estimate of a deficit of £½ billion for the first nine months. The forecast allows for the receipt of EC refunds and a rise in exports in the fourth quarter; and a better outcome on invisibles than indicated by recent data and CSO projections. An improvement in the surplus forecast for the current account in 1985 reflects in particular lower oil imports after the assumed ending of the coal strike, low commodity prices, and a rising surplus on invisibles.

TABLE 1.11

Constant price forecasts of expenditure, imports and Gross Domestic Product*

£bn at 1980 prices, seasonally adjusted

	Consumers' expenditure	General government consumption	Total fixed investment	Exports of goods and services	Change in stocks	Total final expenditure	Less imports of goods and services	Less adjustment to factor cost	Plus statistical adjustment	GDP at factor cost	GDP index 1980=100
1979	137.3	48.1	43.9	63.4	2.5	295.1	59.9	32.2	0.7	203.8	102.4
1980	136.8	48.8	41.6	63.3	−2.9	287.6	57.4	30.9	−0.3	199.0	100.0
1981	136.7	48.8	38.1	62.1	−2.7	283.0	55.4	30.0	−0.9	196.6	98.8
1982	138.1	49.2	40.6	62.7	−1.2	289.5	57.6	31.6	0.4	200.7	100.9
1983	144.0	50.5	42.3	63.3	0.2	300.4	60.8	32.5	0.1	207.2	104.1
1984	147.0	51.4	45.6	67.0	−1.0	310.0	65.5	32.7	0.4	212.2	106.6
1985	151.8	51.9	47.0	69.9	1.0	321.5	68.1	33.9	0	219.5	110.3
1983 First half	71.1	25.2	20.9	31.5	−0.1	148.6	29.8	16.2	0	102.6	103.1
Second half	72.9	25.3	21.4	31.8	0.3	151.8	31.0	16.2	0.1	104.7	105.2
1984 First half	72.9	25.5	23.0	33.3	−0.8	153.8	32.2	16.1	0.4	105.9	106.4
Second half	74.1	25.9	22.7	33.7	−0.2	156.1	33.3	16.5	0	106.4	106.9
1985 First half	75.1	25.9	23.4	34.7	0.5	159.5	33.6	16.8	0	109.1	109.6
Second half	76.7	26.0	23.6	35.3	0.5	162.0	34.5	17.1	0	110.4	110.9
% changes:											
1982 to 1983	4½	2½	4	1		4	5½	3		3	3
1983 to 1984	2	1½	7½	5½		3	7½	0½		2½	2½
1984 to 1985	3	1	3	4½		3½	4	3½		3½	3½

* GDP figures in the table are based on "compromise" estimates of gross domestic product, reflecting for the past average movements in constant-price expenditure, output and income estimates of GDP. Percentage changes are calculated from unrounded levels and then rounded to half per cent. Totals in £bn may not add due to rounding. Figures beyond 1984 first half are forecasts.

TABLE 1.1

World Economy

	Percentage changes on a year earlier 1983	1984	1985
Consumer prices*	4½	4½	4
World GNP*	2½	5	4
World trade in manufactures (UK-weighted)	1½	7	4½

* U.S., Canada, Japan, France, Germany, Italy.

TABLE 1.2

External assets

	Net UK external assets, end year £bn	per cent of GDP
1979	15	7½
1983	56	18½
1984 (estimates)	70	22

TABLE 1.3

Retail prices

	Weight	Per cent changes on a year earlier 1983 Q4	1984 Q4 forecast*	1985 Q4 forecast
Food	20	6	3½ (3)	4
Nationalised industries†	10	1½	3½ (3½)	4½
Housing	14	6½	10½ (7)	4
Other	56	5	4 (4½)	4½
Total	100	5	4½ (4½)	4½

† Includes BT and London Regional Transport; excludes water.
* 1984 FSBR forecast in parentheses.

TABLE 1.4

Domestic demand and GDP

	Percentage changes on a year earlier 1983	1984	1985
Domestic demand	4½	2½	3½
Exports of goods and services	1	5½	4½
Imports of goods and services	5½	7½	4
Domestic production: GDP	3	2½	3½

TABLE 1.5

GDP and manufacturing output

	Percentage changes on a year earlier 1983	1984	1985
Gross domestic product, average measure	3	2½(3½)	3½(2½)
Manufacturing	2½	2	2½

The figures in parentheses exclude the effects of the coal strike.

TABLE 1.7

General Government Expenditure‡

£bn	1983-84	1984-85	1985-86
General government expenditure	120	128	132
National accounts adjustments	4½	4½	5½
Interest payments	15	16	16½
General government expenditure in national account terms	139½	148½	154

* Adjustments to line 1 to the definitions used in National Accounts Statistics.
‡ Expenditure on programmes by central government and local authorities plus the reserve less special sales of assets, after making allowance for expected outturn.

TABLE 1.6

Output per head

	Annual averages percentage changes 1964-73	1973-79	1979-83
Manufacturing	3¾	0¾	2½
Non-manufacturing*	3½	0½	1

* Excluding public services and oil.

TABLE 1.8

General Government Receipts‡

£bn	1983-84	1984-85	1985-86
Taxes on income, expenditure and capital	97½	105½	113½
National Insurance and other contributions	21½	23	25
Interest and other receipts	11½	10½	10½
Accruals adjustments	0½	1	0½
Total receipts	129½	140	148½
of which revenues*	9	12	12

‡ Constituent items may not sum to totals because of rounding to the nearest £½bn.
* Before Advance Corporation Tax set off.

TABLE 1.9

Public sector borrowing

£bn	1983-84	1984-85	1985-86
General government expenditure†	139½	148½	154
General government receipts	129½	140	148½
Implied fiscal adjustment‡	—	—	1½
General Government Borrowing Requirement	10	9	7
Public Sector Borrowing Requirement	9¾	8½	7
as percentage of GDP	3¼	2½	2
Money GDP at market prices	306	327	353

* Constituent items may not sum to totals because of rounding to the nearest £½ billion.
† In national accounts terms—see bottom line of table 1.7.
‡ On the same assumption as in the 1984 MTFS about the PSBR as a proportion of GDP in 1985-86.

TABLE 1.10

Economic Prospects*

	Percentage changes 1983 to 1984	1984 to 1985	Average errors from past forecasts†
A Output and expenditure at constant 1980 prices			
Gross domestic product (at factor cost)	2½	3½	1
Consumers' expenditure	2	3	1½
General government current expenditure	1½	1	1½
Fixed investment	7½	3	2½
Exports of goods and services	5½	4½	3
Change in rate of stock-building as a percentage of the level of GDP	−0½	1	1
Imports of goods and services	7½	4	3
	1984	1985	
B Balance of payments on current account (£bn)	0	2½	3½
C Retail prices index (4th qtr)	4½	4½	3‡

* The forecast includes the effect of the fiscal adjustment in 1985-86.
† The errors relate to the average differences (on either side of the central figure) between forecast and outturn. The method of calculating these errors has been explained in earlier publications on Government forecasts, notably in the Economic Progress Report, June 1981. The errors are after adjustment for the effects of major changes in fiscal policy, where excluded from the forecast.
‡ The average error for inflation was calculated from a period of much higher inflation and probably overstates the margin of error at low rates of inflation.

Inflation

Inflation abroad has been generally low. In the UK, inflationary pressures have remained very moderate, despite further falls in the exchange rate. As measured by the GDP deflator at market prices, inflation has fallen from 12 per cent in 1981 to 5 per cent in 1983 with a further fall in the first half of 1984.

The recent falls in spot commodity prices have not, as yet, made much impact on domestic prices. Import prices for basic materials in the third quarter of 1984 were 15 per cent up on a year earlier, reflecting earlier rises in commodity prices and falls in the exchange rate. Domestic costs have not benefited as much as in 1983 from productivity gains, but the cuts in and subsequent abolition of the national insurance surcharge are helping to limit cost increases this year. Despite a 10 per cent rise in the prices of imported manufactures in the course of 1984, competitive pressures helped to limit the rise in prices at the wholesale stage (excluding food, drink and tobacco) to 5½-6 per cent, much as in 1983 and close to the rise in costs.

Pay settlements in the 1983-84 pay round were generally around 5½ per cent, very similar to those in the 1982-83 pay round. Earnings in the economy as a whole have been reduced by the coal strike and by delays in some public sector settlements. The underlying rate of increase, about 7½ per cent, reflects—in addition to nationally negotiated wage settlements — productivity deals, bonus payments, changes in overtime and short time, and changes in the composition of the workforce.

With earnings rises, on an underlying basis, well above price rises, real earnings for those in employment have been increasing since mid 1982.

While no major change in the rate of price inflation is expected in 1985, there is likely to be some gradual decline, in the absence of a fall in the exchange rate and as the effects of recent falls in commodity prices come through. In a generally weak labour market, there have been substantial rises in real take-home pay over the past two years; and further increases in real take-home pay would be consistent with a flat or slowly falling trend in wage settlements. Unit labour costs, taking account of the abolition of the national insurance surcharge from October 1984, may rise by about 4 per cent in 1985.

The recovery in domestic demand and output since 1981 has been reflected in and encouraged by, a recovery in profit margins on home sales. With sterling assumed to be steadier, costs and domestic prices may move more nearly in line in 1985.

The annual increase in the RPI may stay near to its recent rate of around 4½ per cent through the first half of 1985 before falling in the fourth quarter. The housing component is strongly affected by changes in the mortgage interest rate; by the fourth quarter of 1985, the annual increase in the RPI will no longer be influenced by the sharp rise in mortgage rates in the summer of 1984. Table 1.3 shows changes in the main components of the RPI. Wholesale price inflation should also decline slowly in the course of 1985.

Demand and Activity

Activity rose by over 3 per cent in 1983. In the first half of 1984, the average measure of GDP again showed a rise of over 3 per cent on a year earlier; had it not been for the coal strike, the increase would have been about 4 per cent. Since the early part of the year, there is evidence from both goods and labour markets of a somewhat slower rate of growth in activity. The coal strike is estimated to be reducing the current level of total output in the economy by over 1 per cent.

For the first two years of the upturn which began in 1981 domestic demand grew more quickly than output. By 1983, there had been a widespread increase in all components of domestic demand, with a large rise in consumer spending. This year the growth of domestic demand has been slower, partly because the coal strike has led to lower stocks, and the balance has as expected shifted away from consumer spending towards investment, while overseas markets have grown more rapidly. The increases in GDP and domestic demand are now much more in line.

In 1983 real personal disposable income recovered to its 1980 level. But in order to finance higher spending, consumers reduced their rate of saving by 4½ percentage points. Between 1982 and 1983 the increase in consumer spending was almost 4½ per cent, helped by renewed growth in personal income.

The fall in saving was encouraged by the fall in inflation (which had been steadily eroding the real value of existing assets), by the drop in interest rates, and by easier access to credit. The high growth in spending in 1983 included a large increase in expenditure on durables, particularly on motor cars, in part, no doubt, a delayed replacement of the existing stock.

In 1984 personal income growth has continued in spite of the effects of the coal strike, and spending on non-durables seems likely to record another sizeable rise. Durables consumption seems likely to stay near last year's high level with a rise in total consumer spending of perhaps 2 per cent, rather less than in 1983.

It is indicated below that there might be scope for a fiscal adjustment in 1985-86 of some £1½ billion. The assumption that this is used to cut income tax raises real personal disposable income in 1985 by nearly ½ per cent. This, combined with increases in employment and most other sources of income, suggests a forecast rise of RPDI of 4 per cent. As usual when income grows strongly the saving ratio is expected to rise and personal consumption may grow by 3 per cent.

The personal sector has more than doubled its borrowing since 1979, the major part of the increase being attributed to loans for house purchase from banks and building societies. Not all the lending, however, has directly financed spending: personal liquidity has been built up. Since 1980 net financial wealth has increased in relation to income, partly as a result of the strength of the gilt and stock markets, but, with increased borrowing, gross financial wealth has increased a little faster.

The last 18 months have seen a major recovery in company incomes as sales and profit margins have improved, particularly in overseas markets. This increase has not yet been fully reflected in tax payments, and in the 12 months to June 1984, non-North Sea company disposable incomes were up 28 per cent on the previous 12 months.

As usual at this stage of the cycle, company expenditure has lagged behind incomes so that the company sector has been running a large financial surplus, with a substantial improvement in corporate liquidity. This surplus can be expected to diminish as the growth in company incomes moderates and as expenditure rises. But in the absence of any sizable stock rebuild, the company sector's financial surplus is likely to remain high by past standards.

Business investment is now growing strongly; in the first half of 1984 it was up 13 per cent in real terms on the first half of 1983. The recovery in manufacturing investment this year has been particularly marked. For 1984 as a whole, fixed investment by non-North Sea industrial and commercial companies may be 11 per cent up on 1983. With North Sea expenditure increasing rapidly from the low level seen in 1983, 1984 seems likely to record a substantial increase in total private fixed investment. A further good year for private fixed investment is expected in 1985. North Sea investment is likely to increase further although not by as much as this year; and investment by non-North Sea industrial and commercial companies may grow by 7 per cent.

This rapid growth of private investment is likely to be offset in part by lower public investment, particularly by local authorities following the likely overspend in 1984-85. Personal investment in housing — now redefined by the CSO to include improvement work — grew rapidly to mid-1984. Nineteen eighty-two and 1984 saw a substantial recovery, now sloping down, in new housing investment. There may be a check to the growth of improvement work. But the level of total personal housing investment in 1985 is likely to be a little higher than in 1984. For the economy as a whole, investment growth is expected to continue in 1985 at a rate close to the overall growth of output.

In contrast to fixed investment, company expenditure on stocks has shown little tendency towards the recovery usual at this stage of the cycle: real interest rates are high, and the tax changes in the Budget reduced the incentive to hold stocks. Manufacturers' and distributors' stocks fell during the first half of 1984, reversing the rise seen over the previous six months. Recent surveys do not suggest much desire to change stock levels, and the forecast sees no more than a modest resumption of stockbuilding in 1985 as the growth in output and sales continues.

With real incomes of both persons and companies rising, domestic demand is expected to continue to grow during the forecast period. The effects of the coal strike seem likely to make the increase in demand and output larger than in 1984. The continuing recovery in world markets is allowing exports to grow more in line with imports: and GDP in line with domestic demand. Export growth is expected to slow a little next year as world markets grow less rapidly and import growth falls because less oil is required for electricity production.

The share of manufacturing industry in total output has been falling since the early 1970s. For 1985 as a whole, with substantial growth continuing in the demand for manufactures, output in the manufacturing sector should rise further, but perhaps a little more slowly than output in total. Increases averaging nearly 10 per cent in the output of the North Sea oil sector in 1983 and 1984 accounted for about ½ per cent of GDP growth in each year: no further sizeable increases in oil output are expected.

Productivity and the Labour market

As the economic recovery became firmly established during 1983, total employment began to rise. By June 1984 the employed labour force is estimated to have been almost 300,000 higher than at the trough in March 1983. Most of the increase was in the services sector: many of the new jobs were part-time and filled by women. In the manufacturing sector, which accounted for much of the labour shedding of the previous three years, employment continued to fall, though at a much reduced rate. The rise in productivity in manufacturing—up over 20 per cent since the end of 1980—has gone beyond that usually expected in cyclical recovery.

Underlying trends in productivity are hard to identify because of the strong cyclical influences. In part the strong recovery in output per head in recent years reflects normal adjustments following the large fall between 1979 and 1981. During 1983 manufacturers may have been a little more cautious than usual, preferring initially to meet the increased demand for output with substantial increases in overtime working rather than by taking on new workers. Table 1.6 shows average annual growth rates of output per head for manufacturing and non-manufacturing, over longer periods of time.

Even over complete cycles the path of actual output per head can be significantly influenced by the relative strength of booms and recessions. Thus the apparent slowdown in productivity between 1973 and 1979 may in part reflect the (unsustainable) strength of the 1973 peak in activity, to which firms did not fully adjust their labour force, and the relative weakness of the 1979 peak. Nevertheless, it seems clear there has been a pick-up in underlying productivity growth since the late 1970s. This may have been a response to the more rapid growth of labour costs both in real terms and in relation to other business costs. Changes in working practices and attitudes to innovation may be having a permanent effect on the rate of growth of productivity, though the evidence is not conclusive. The forecast assumes that underlying productivity growth in manufacturing and non-manufacturing will continue at a faster rate than in the 1973-79 period but rather slower than recorded in the past four years. Taken together with the forecast of output this is consistent with continued growth in total employment.

Despite the recovery in employment, unemployment (seasonally adjusted) levelled out only briefly during the second half of 1983 and since the beginning of this year it has increased on average by 15,000 per month. The figures imply a very substantial increase in the working population over the past year, considerable larger than the growth in the labour force that had been expected on the basis of demographic changes. It seems that, while continued falls in manufacturing employment resulted in more full-time workers joining the unemployment count, the growth in part-time jobs in service industries attracted women who were not previously claiming benefit. Although the figures are very uncertain, further growth in the labour force is forecast and the trend towards more part-time working, which was evident in the 1970s, may continue.

Interest rates and monetary growth

In the U.S. the continuing rise in economic activity together with a continuing high Federal deficit and restrictions on monetary growth led to further upward pressure on interest rates in the first half of the year. Rates have subsequently fallen back, though generally not to the levels prevailing at the beginning of the year. By contrast interest rates in most other major OECD economies have changed very little. In the UK there was some further easing in short-term interest rates in the early months of the year, but strong upward pressure emerged in the money markets in July, associated with a weakening of the sterling/dollar exchange rate and market worries about industrial disputes and the pace of monetary growth. With the subsequent easing of the latter worries, rates have fallen back, reversing most of the July increase.

Growth in both M0 and £M3 was within the target ranges over the first eight months of the current target period (to mid-October). M0 growth has been in the lower half of the 4-8 per cent range, while £M3 growth has fluctuated more widely, remaining generally in the upper half of the 6-10 per cent range. PSL2 has been growing faster than £M3, mainly as a result of the relatively rapid growth of building society deposits. Limited experience with M2 still makes it difficult to interpret, as does the reclassification of certain building society accounts from outside to within M2. The forecast assumes that the 1985-86 target ranges for M0 and £M3 will be the same as the illustrative ranges in this year's Medium Term Financial Strategy, 3-7 per cent for M0 and 5-9 per cent for £M3.

Fiscal projections

The PSBR in 1983-84 was £9.7bn new definition. On the old definition (including bank deposits) it was £10.0bn); as forecast in the FSBR. The EC rebate in respect of 1983 was not received during 1983-84, and this increased central government borrowing on own account. On the other hand public corporations' borrowing turned out a little lower than expected.

In the first seven months of 1984-85, the PSBR is likely to have been slightly above the Budget forecast for the full year (£7¼bn). It was expected that the PSBR would be more than usually front-end-loaded this year. Even so, it now seems likely that the year's total will be higher than was expected at Budget time. Four major factors have contributed to this change:

(i) The coal strike may add, over the financial year as a whole, about £1½bn to total borrowing.

(ii) Local authorities' overspend on capital account in 1983-84 seems likely to be followed by further overspend in 1984-85.

(iii) Higher interest rates than expected at the time of the Budget have increased debt interest payments.

(iv) On the revenue side, extra receipts from North Sea oil do not fully offset these factors.

As a result, the PSBR for 1984-85 as a whole is now projected at £8½bn, some £1½bn higher than the Budget forecast. There is, as always, a substantial margin of error surrounding this forecast (average errors in PSBR forecasts at this time of year exceed £2bn).

The projections in tables 1.7-1.9 herewith take account of the Government's spending plans. The usual assumption is made that tax thresholds, allowances and specific duties are indexed in 1985-86. The forecast also makes the same assumption as in the MTFS about the PSBR in 1985-86: 2 per cent of GDP, equivalent to £7bn. On the basis of the current projections of expenditure and revenue, this would leave room for a fiscal adjustment, perhaps of the order of £1½bn. (The forecast assumes, conventionally, that the fiscal adjustment takes the form of a reduction in income tax, which is then incorporated in the projections of personal income and spending.

General government expenditure in national accounts terms, shown in the accompanying table 1.7, is forecast to rise, in cash, by around 6½ per cent in 1984-85 and 3½ per cent in 1985-86.

The revenue projections are shown in table 1.8. Real GDP (average measure) is forecast to grow by 2½ per cent in 1984-1985 and by 3½ per cent in 1985-86: these estimates are affected by the coal strike, and the underlying increases are 3 per cent and 2½ per cent. The general rate of inflation, as measured by the GDP deflator, is put at 4½ per cent in 1984-85 and 4½ per cent in 1985-86. The increase in tax revenues—before fiscal adjustment—in 1985-86 is close to the forecast rise in money GDP of 8 per cent.

Planned public spending of £132bn same in real terms

THE Treasury said after the Chancellor's statement: The Government has reviewed the public expenditure plans for 1985-86 published in the 1984 Public Expenditure White Paper (Cmnd 9143). The accompanying Table 2.1 shows the public expenditure plans as now decided and for purposes of comparison the 1984-85 and 1985-86 plans. All figures are in cash.

The planning total

The outcome of the review is to set the public expenditure planning total for 1985-86 at £132bn, slightly below the figure in the 1984 White Paper. After allowing for inflation, public expenditure will be broadly the same in real terms as planned for this year, 1984-85. Table 2.2 herewith shows the planning totals 1979-80 to 1985-1986 in cash and cost terms; and public expenditure expressed as a ratio to GDP. The plans imply the ratio falling from 43½ per cent in 1981-82 to 41 per cent in 1985-86.

Changes in plans

Within the total for 1985-86 there are increases in social security, health, export credit and the UK's contributions to the European Communities. These are offset by reductions in other programmes including housing, employment services and the urban programme, together with an increase in estimated receipts from special sales of assets. Full details of the plans will be given in the forthcoming Public Expenditure White Paper.

Programmes

The provision for 1985-86 is unchanged from Cmnd 9143 and allows for annual growth of some 3 per cent in real terms, with an addition for Falkland costs.

The provision remains as planned.

The estimated net contribution in 1985-86 takes account of the Fontainebleau agreement on budget abatements and new own resources. The figures in Cmnd 9143 were based on a stylised assumption about budget refunds, and no increase in the 1 per cent VAT ceiling. As a rough order of magnitude, in future years the UK's adjusted net contribution might be around half what it would have been if there had been no agreement, no abatements and the 1 per cent VAT ceiling had been maintained.

Extra provision has been made to take account of the grain stocks expected to be bought into intervention following the large 1984 cereals harvest.

savings on market support measures and capital grants. Provision is included for the milk outgoers scheme and the enhanced rates of suckler cow subsidy announced earlier this year.

The reduction will be achieved mainly by improvements in efficiency and trading performance.

Additional provision is made for launch aid and for shipbuilding.

Higher expenditure on the Redundant Mineworkers Payment Scheme is partly offset by reductions in other areas including nucler research and development.

The increase in the cost of this programme mainly reflects higher estimates of interest support costs for fixed rate export credit.

Additional provision of £260m is made to finance the expansion of some employment and training measures, including the Enterprise Allowance Scheme; a higher level of redundancy payments; and the transfer from local authorities to the MSC of part of the provision for work-related non-advanced furth-- education. The cost is more than offset by savings of £330m from revised estimates of -emand for special measures, including the Youth Training Scheme, and a reduction in the rebate to employers from the Redundancy Fund.

The £370m lower total reflects transfers out of the programme. Trust ports will be transferred to t!. private sector; and, on the establishment of London Regional Transport, planned expenditure on transport in London has been transferred to the Nationalised Industries sector. After taking account of these changes there is virtually no net changes in provision.

Net housing provision is The net decrease reflects £310m lower than provided for in Cmnd 9143, mainly as a result of a higher estimate of capital receipts, partly offset by increased subsidies to local authority housing. The reduction in gross capital provision is £65m.

Additional provision has been made for new works and maintenance of the civil estate.

There is a reduction in the Urban Programme and some other minor adjustments.

The net increase is mainly for local authority expenditure on police, fire, probation and magistrates courts. Various changes within provision for central government expenditure

Intervention Board for

include an increase for control of immigration.

The provision has been adjusted to reflect underspending on the court building programme.

The main changes are increased provision for local authority current expenditure (four-fifths of the total). f-r science and, on a selective basis, for equipment in universities, with some reduction in student awards and local authority capital expenditure.

Additional provision has been made for public expenditure on the arts, museums and libraries.

Provision for the Hospital and Community Health Service in 1985-86 represents a 5.5 per cent cash increase over 1984-85 plans: 1 per cent more than forecast inflation. Cost-improvement programmes building on those achieved this year should release substantial additional resources to enable health authorities further to develop services and improve patient care. Some charges will be increased. Planned provision for the Family Practitioner Services allows for estimated demand and takes account of measures to curb the sharply rising drugs bill. Provision for personal social services has also been increased.

The provision reflects the latest estimate of benefit expenditure in 1985-86 including an allowance for an up-rating in November 1985 based on the assumed rise in prices in the 12 months to next May. The actual up-rating of individual benefits will be announced in June when the May RPI is known. The main policy changes affecting 1985-86 will be in the payments made to supplementary benefit claimants for board and lodging and for residential care, and in the rules affecting invalidity benefit, including restoration from November 1985 of the 5 per cent abatement of invalidity pension which has applied since 1980. The Secretary of State for Social Services will also be introducing legislation to extend the duration of statutory sick pay to 28 weeks with effect from April 1986.

The net changes in these programmes mainly reflect changes in comparable programmes in England. The Secretaries of State have discretion to make allocations of this expenditure which take account of local factors.

The provision covers the costs of small departments including the initial cost of setting up the Independent Prosecution Service. It also takes account of savings that will result from the decision to cease to issue the £1 note.

Nationalised industries

External Financing Limits (EFLs) for nationalised industries in 1985-86 are set out in table 2.3. Overall there is an increase of £180m in expected external financing requirements. This reflects a number of changes including the reclassification of London Regional Transport as a nationalised industry; decreased requirements for Electricity (England and Wales), British Shipbuilders, British Railways Board, and Water (England and Wales); and increases for the British Steel Corporation and British Gas Corporation.

Regional Transport as a decision to cease to issue the £1 the Independent Prosecution Service. It also takes account of savings that will result from the reclassification of London

LOCAL AUTHORITIES

Local authority expenditure, except for the unallocated margin, is subsumed in the departmental totals shown in the accompanying table 2.1. In 1984-85 local authorities are budgeting to exceed Cmnd 9143 provision for current expenditure relevant for Rate Support Grant by around £1.2bn. For 1985-86 the Government has increased provision (adjusted for changes in the responsibilities of local authorities) by around £950m to £25.5bn. This implies in aggregate a reduction of about 3 per cent in real terms below 1984-85 budgets.

Local authorities have again been given provisional expenditure targets in England and Wales and guidelines in Scotland. Grant before holdback for 1985-86 will be about the same in cash (after adjustments) as the corresponding cash figure for 1984-85. Penalties for exceeding target or guidelines will be more severe than in 1984-85.

The outlook for local authority capital spending in 1984-85 is uncertain. Early returns suggested a large overspend on cash limits in England and Wales, and local authorities were asked to restrain spending, and to generate extra receipts. Net provision for Great Britain in 1985-86 is about £3.1bn. This is a reduction from Cmnd 9143 of about £600m, to take account of the 1983-84 overspend and of increased receipts.

SPECIAL SALES OF ASSETS

Net proceeds from special sales of assets are estimated to increase by £500m to £2½bn, reflecting revised forecasts of receipts. There are considerable uncertainties attached to this figure which is dependent on market conditions at the time of sales.

RESERVE

The plans include a Reserve of £3bn for 1985-86, £½bn higher than that included in Cmnd 9143 for 1984-85. The Reserve will be available to meet all contingencies and unavoidable increases, including estimating changes. At this stage, the estimates of expenditure in 1985-86 on some demand-led services are inevitably still uncertain.

TABLE 2.1

Public expenditure plans

£m

	1984-85 White Paper (Cmnd 9143) with Budget changes	1985-86 White Paper (Cmnd 9143)	1985-86 White Paper (Cmnd 9143) with Budget changes	1985-86 Revised plans	Changes between Cmnd 9143 and revised plans
Departments (excluding nationalised industries' external finance)§					
Ministry of Defence	17,000	18,060	18,010	18,060	0
Foreign and Commonwealth Office (including ODA)	1,800	1,870	1,870	1,870	0
European Community	380	550	550	750	+200
Intervention Board for Agricultural Produce	1,250	1,130	1,120	1,310	+180
Agriculture	1,000	1,020	1,020	930	−90
Forestry Commission	60	60	60	50	−10
Department of Trade and Industry	1,350	1,290	1,290	1,360	+70
Department of Energy	560	570	590	680	+110
Export Credits Guarantee Department	160	30	30	190	+160
Department of Employment	3,130	3,250	3,240	3,180	−70
Department of Transport	3,540	3,660	3,659	3,290	−370
DOE—Housing	2,500	2,610	2,600	2,300	−310
DOE—Property Services Agency	−90	−100	−100	−90	+10
DOE — Other Environmental Services	3,170	3,270	3,260	3,250	−20
Home Office	4,360	4,540	4,510	4,590	+50
Lord Chancellor's Department	500	550	550	540	−10
Department of Education and Science	13,050	13,450	13,380	13,590	+140
Office of Arts & Libraries	600	620	620	640	+20
DHSS—Health and Personal Social Services	15,420	16,270	16,200	16,480	+210
DHSS—Social Security	37,200	39,520	39,510	39,990	+470
Civil Superannuation	1,050	1,130	1,130	1,070	−60
Scotland	6,550	6,720	6,700	6,810	+90
Wales	2,560	2,650	2,640	2,660	+10
Northern Ireland	4,030	4,220	4,210	4,240	+20
Other Departments	2,070	2,160	2,150	2,130	−30
Nationalised Industries	1,830	1,140	1,060	1,320	+180
Local authority current expenditure not allocated to departments	660	400	400	600	+200
Special sales of assets	−1,900	−2,000	−2,000	−2,500	−500
Reserve	2,750	3,750	3,750	2,000	−750
Reserve	2,750	3,750	3,750	2,000	−750
PLANNING TOTAL¶	126,300	132,100	131,700	132,000	−100

* Some figures may be subject to detailed technical amendment before publication of the 1985 Public Expenditure White Paper.
† Departments' figures shown are rounded to the nearest £10 million; the planning total is rounded to £100 million.
‡ All columns include minor classification changes since Cmnd 9143. The revised plans column also includes a transfer of provision for London Regional Transport of some £330 million from Department of Transport to Nationalised Industries; and a transfer for work-related non-advanced further education of some £60 million from Department of Education and Science to Department of Employment (see paragraphs 2.13, 2.14 and 2.26).
§ Provision in these programmes reflects an assumption that central government rates of pay and allowances will increase on average by 3 per cent from due settlement dates.
¶ Excludes double counting of £290 million of agricultural spending in Scotland and Wales which is also included in the Agriculture total.

TABLE 2.2

Public expenditure planning totals 1979-80 to 1985-86

	Planning total £bn: Cash*	Planning total £bn: Cost terms base year 1983-84*†	Public expenditure as % of GDP‡
1979-80§	76.9	111.7	39½
1980-81§	92.7	113.5	42
1981-82§	104.7	116.5	43½
1982-83§	113.4	118.4	43
1983-84§	120.3	120.3	42½
1984-85¶	126.3	120.6	42
1985-86‖	132.0	120.6	41

* Figures are rounded to the nearest £0.1bn.
† Cash figures adjusted for general inflation as measured by the GDP deflator at market prices. The GDP deflator is forecast to increase by some 4½ per cent in 1984-85 and 4¼ per cent in 1985-86 as shown in para 1.60.
‡ Planning total plus net debt interest, refunded payments of VAT by local authorities and central government and an allowance for non-trading government capital consumption, expressed as a percentage of GDP at market prices.
§ Outturn/estimated outturn.
¶ Plans in Financial Statement and Budget Report 1984-85, table 5.5, adjusted for subsequent classification changes. For estimated outturn, see paragraph 1.58.
‖ Plans as in Table 2.1.

TABLE 2.3

External financing limits for the nationalised industries (1985-86)

	£m*
National Coal Board†	723
Electricity (England and Wales)	−1,128
North of Scotland Hydro-Electric Board	9
South of Scotland Electricity Board	191
British Gas Corporation	−352
British Steel Corporation	360
Post Office	−70
National Girobank	−3
British Airports Authority	−21
British Railways Board	918
British Waterways Board	45
National Bus Company	48
Scottish Transport Group	13
British National Oil Corporation‡	−3
British Shipbuilders§	36
Civil Aviation Authority	27
Water (England and Wales)	203
London Regional Transport	323
Total	1,319

* Figures are shown rounded to the nearest £1m.
† Provisional. To be reviewed at the end of the current industrial dispute.
‡ The figure for BNOC is not a limit. BNOC's trading results are likely to fluctuate from year to year given the uncertainties of oil trading.
§ This single figure for British Shipbuilders includes an allowance for some receipts from the privatisation of warshipbuilding yards.

Tax changes and estimates of effects on revenue

THE Chancellor said in a statement issued after he sat down:

The accompanying tables show various illustrative changes to the major taxes and estimates of their direct revenue effects at forecast 1985-86 price and income levels. Figures are given for full year effects and also for the effect in the first year (1985-86)—that is, the part of the full year effect which would be expected to come through in tax receipts in that financial year. Neither of these is the same as the effect on the public sector borrowing requirement (PSBR) because of the second round effects of tax changes on the economy.

Estimates of the size of the direct effects of tax changes depend on economic variables, such as prices, earnings, consumer expenditure, etc, and thus may alter as the prospects change.

There are, in principle, a number of ways of measuring the direct effects on revenue of a tax change, depending on the assumptions made about changes in the tax base and whether revenue from other taxes is included.

Where appropriate, the figures set out herewith show the effect of indexation by an illustrative 4¾ per cent. This is in line with the annual rate of increase in the RPI forecast for the fourth quarter of this year.

Indexation of allowances, thresholds and bands for 1985-86

With indexation by 4¾ per cent, the 1985-86 levels of allowances, thresholds and bands would be as shown herewith. The rules for rounding up set out in the 1980 Finance Act (for income tax) and the 1982 Finance Act (for capital transfer tax and capital gains tax) have been followed; 1984-85 figures are shown for comparison.

Direct revenue effects of other illustrative changes in income tax and corporation tax

Table 4.5 herewith gives estimates of the direct costs and yields (at forecast levels of 1985-86 prices and incomes) of changes in the main personal allowances, thresholds and rates of income tax. It shows the costs and yields resulting from individual allowance changes of £100 and of changes in all allowances and higher rate thresholds by 1 per cent and 10 per cent of their 1984-85 values. The table also illustrates the effects of changing both the main personal allowances and higher rate thresholds by 1 per cent and 10 per cent of their 1984-85 values. All the cost and yield figures assume that the 1984-85 levels are first indexed and are therefore in addition to the costs arising from indexation as set out in table 4.4. For corporation tax the table shows the effects of a 1 percentage point change in the rate of tax and in the small companies' rate.

The estimated revenue effects of each allowance and threshold change are shown to the nearest £1 million or £5 million, to avoid undue magnification of rounding errors when using the ready reckoner to calcllate larger changes. The figures should not, however, be assumed to be accurate to this degree.

Costs and yields are linear over a fairly broad range of changes. Reasonably accurate estimates can be obtained by pro-rating the ready reckoner figures for increases in personal allowances of less than about 20 per cent and for reductions of less than about 5 per cent from the indexed values. The additional cost of an increase in the higher rate threshold, however, tends to fall as the total increase rises, so estimates have been provided for two different changes, 1 per cent and 10 per cent on top of indexation. The effects of changes in higher rate thresholds are not symmetrical between increases and decreases. The table indicates that decreases would yield rather more than corresponding increases would cost.

The income tax changes have been costed on the assumption that each is introduced in isolation. In practice, there is little interaction between the personal allowances, so an estimate of the revenue effect of more than one allowance change can be obtained by combining the individual costs or yields for each item. The effect of a change in the basic or higher rates of tax, or in the higher rate thresholds, however, would be smaller than the amount shown in the table, if those changes were introduced at the same time as an increase in one or more allowances (and larger if combined with a decrease in allowances). Estimates derived from this ready reckoner for a combination of more than one tax change should, therefore, be taken only as a general guide to the revenue effect, particularly where a number of interacting changes are included.

Indirect taxes.

Figures for changes in the excise duties (table 4.6) are shown in two sections. The first shows the extra revenue from the individual duties if they were to be increased by exactly 4¾ per cent, together with the price increase that would result (after allowing for consequential VAT).

The second section shows for most duties the revenue yield from changing current levels of duty so that (after VAT) the price of a typical item is changed by exactly one penny. For VED, a £1 change for cars and light vans is shown. Table 4.7 shows the revenue effects of a 1 percentage point change in the rate of VAT.

The estimates are direct effects. They do, however, allow for alterations, due to relative price changes, in the composition of consumers' expenditure within a fixed total.

Within limits, the illustrative changes for specific duties shown here can be scaled up or down to give a reasonable guide to the revenue effects. For example, a unit change could be combined with a revalorisation change to show the effects of a different percentage movement in duty. However, with large changes, the margins of uncertainty surrounding the effects on sales and hence on revenue become progressively larger, and scaled estimates will be less reliable.

TABLE 4.1

Income tax

	1984-85 £	1985-86 £
Allowances		
Single and wife's earned income allowance	2,005	2,105
Married allowance	3,155	3,305
Additional personal and widow's bereavement allowance	1,150	1,200
Single age allowance	2,490	2,610
Married age allowance	3,955	4,145
Aged income limit	8,100	8,500

Income tax rates per cent	Bands of taxable income 1984-85 £	Bands of taxable income 1985-86 £
30	0-15,400	0-16,200
40	15,401-18,200	16,201-19,200
45	18,201-23,100	19,201-24,400
50	23,101-30,600	24,401-32,300
55	30,601-38,100	32,301-40,200
60	over 38 100	over 40 200

TABLE 4.2

Capital Transfer Tax

Rate on death per cent	Life time rate per cent	Bands of chargeable value 1984-85 £000	Bands of chargeable value 1985-86 £000
Nil	Nil	0- 64	0- 68
30	15	64- 85	68- 90
35	17½	85-116	90-122
40	20	116-148	122-156
45	22½	148-185	156-194
50	25	185-232	194-244
55	27½	232-285	244-299
60	30	over 285	over 299

TABLE 4.4

Costs of indexation

£m at forecast 1985-86 prices, incomes and capital values

	First year cost £	Full year cost £
Indexation of income tax allowances and thresholds	860	1,115
of which:		
Increases in main personal allowances	770	960
Increase in the basic rate limit*	50	80
Increases in further higher rate thresholds*	40	75
Indexation of capital transfer tax thresholds and bands	15	45
Indexation of capital gains exempt amounts	Nil	10

* Additional costs after previous changes have been introduced.

TABLE 4.5

Direct effects of speciman changes in Income Tax and Corporation Tax

	£m at forecast 1985-86 income levels: First year cost/yield	Full year cost/yield
Income Tax*		
Rates		
Change basic rate by 1p†	1,050	1,125
Change all higher rates by 1p	48	95
Personal Allowances		
Change single and wife's earned income allowance by £100	290	360
Change married allowance by £100	260	320
Change single age allowance by £100	24	32
Change married age allowance by £100	21	26
Change age income limit by £200	3	5
Change all main personal allowances by 1 per cent	160	195
Change (raise−/lower+) all main personal allowances by 10 per cent	1,540/1,600	1,915/1,995
Higher Rate Thresholds		
Change (raise−/lower+) all higher rate thresholds by 1 per cent	15/15	27/28
Change (raise−/lower+) all higher rate thresholds by 10 per cent	135/170	245/310
Allowances and Thresholds		
Change all main personal allowances and higher rate thresholds by 1 per cent	170	225
Change (raise−/lower+) all main personal allowances and higher rate thresholds by 10 per cent	1,650/1,775	2,150/2,315
Corporation Tax‡		
Change rate by 1 percentage point§	140	240
Change small companies' rate by 1 percentage point	14	25

* Changes are from the indexed levels of allowances and thresholds shown in table 4.1. Percentage changes are, however, of 1984-85 levels.
† Including the effect of the change on receipts of Advance Corporation Tax and on consequent liability to Mainstream Corporation Tax.
‡ Assessment to Corporation Tax normally relates to the preceding year. These are, therefore, the changes to revenue that would occur if the changed rates were applied to forecast 1984-85 income levels.
§ Assuming small companies' rate unchanged.

TABLE 4.3

Capital Gains Tax

	1984-85 £	1985-86 £
Annual exempt amount		
Individuals	5,600	5,900
Trusts	2,800	2,950

TABLE 4.6

Revenue effects of indirect tax changes

(£m 1985-86 prices and income levels)

	Current level of duty on typical item†	4¾% Revalorisation*: Price change inc. VAT pence	4¾% Revalorisation*: Full year yield‡ £m	Unit changes from present levels of duty: Price change inc. VAT	Actual percentage change in duty %	Full year‡ yield/cost £m
Beer (pint)	17.3p	0.9	85	1p	5.0	90
Wine (bottle of table wine 70 cl)	63.4p	3.5	25	1p	1.4	7½
Spirits (bottle)	£4.64	25.4	30	1p	0.2	1
Tobacco (20 kingsize cigarettes) (§)	76.2p	3.6	115	1p	1.3	35
Petrol (gallon)	78.0p	4.3	210	1p	1.1	50
Derv (gallon)	65.8p	3.6	55	1p	1.3	15
VED (cars and light vans)	£90.00	£4.27½	80	£1	1.1	19

* An "across the board" revalorisation by 4¾ per cent (including the minor duties not shown above) would yield about £625m in a full year, and the impact on the RPI would be to raise it by less than ½ per cent.
† VAT is payable in addition to the duty except in the case of VED.
‡ Assuming for illustrative purposes implementation on 1 April, the first full-year yield of changes in excise duties would be identical for petrol, derv and VED; for beer and tobacco the first-year would be approximately eleven twelfths of the full-year; and for wine and spirits it would be approximately twenty-three twenty-fourths.
§ The duty on cigarettes has ad valorem and specific elements; the percentage change relates only to specific element, but the price change includes the consequent increase in ad valorem duty and VAT.

TABLE 4.7

VAT

	First year* yield/cost	Full year yield/cost
1% point change in rate of VAT	625	840

* Assuming implementation on 1 April.

NI earnings limit raised to £265

IN A statement after he sat down, the Chancellor said: The Secretary of State for Social Services has conducted his annual review of national insurance contributions, as required by the provisions of the Social Security Act 1975. Full details are set out in the statement made by the Secretary of State in connection with the necessary orders, laid on November 12 1984 with an accompanying report by the Government Actuary. The main proposals are:

- that the full Class 1 national insurance rates should remain unchanged for 1985-86 at their present level of 9 per cent for employees and 10.45 per cent for employers;
- that the lower earnings limit should be uprated, from April 1985, from the present level of £34 a week to £35.50 a week in line with the single rate retirement pension;
- that the upper earnings limit should be increased from £250 a week to £265 a week;
- that the Treasury Supplement should be reduced in 1985-86 from its present level of 11 per cent of gross contributions to 9 per cent.
- that employers should be relieved of the cost of the national insurance contributions they make on payments under the statutory sick pay scheme.

In accordance with normal practice, the Government Actuary has been provided with working assumptions for use in preparing his report. These assumptions, which are not forecasts or predictions, are summarised in his report and include the following:

- that the number of unemployed (GB, excluding school leavers etc.) averages 3m in 1984-85 and in 1985-86;
- that the underlying rate of increase in earnings will decline from about 7½ per cent between 1983-84 and 1984-85 to about 7 per cent between 1984-85 and 1985-86;
- that as a result of lost earnings in the coal industry, actual earnings in 1984-85 are 7 per cent higher than in 1983-1984, and consequently average earnings in 1985-86 are assumed to be 7½ per cent higher than in 1984-85;
- that the movement in prices between May 1984 and May 1985, which is the relevant period for the November 1985 benefit uprating, will be 4¾ per cent.

The estimated effects of the proposed changes are shown in the accompanying table. The table includes the effects of the abolition of the national insurance surcharge announced in the 1984 Budget.

TABLE 3.1

Estimated total payments by employers and employees of National Insurance contributions and NIS in 1984-85 and 1985-86(1)

Great Britain (£m)	Employers	Employees	Total
1984-85			
National Insurance Surcharge	880	—	880
National Insurance Contributions	10,730	10,120	20,850
Total	11,610	10,120	21,730
1985-86			
National Insurance Surcharge	30	—	30
National Insurance Contributions	11,650	11,040	22,690
Total	11,680	11,040	22,720
Analysis of change			
Change from abolition of NIS†	−850	—	−850
Changes in NI contributions from increased earnings etc‡	+860	+820	+1,680
Change in NI contributions from increase in earnings limits	+100	+100	+200
Change from rebate of employers NI contributions on statutory sick pay	−40	—	−40
Total change	+70	+920	+990

* Figures are rounded to the nearest £10m. Detailed figures for National Insurance Contributions are included in the Government Actuary's report on the draft of the Social Security (Contributions, Re-rating) Order 1984. As in previous years, figures in this table are on a receipts basis excluding self-employed and voluntary contributions. Figures include NHS and Employment Protection Allocation contributions. Employers' contributions are net of deductions in respect of statutory sick pay.
† NIS was abolished as from 1 October 1984 for all employers except local authorities and related bodies, who will continue to pay NIS until the end of this tax year. Receipts of NIS in 1985-86 will be entirely in respect of liabilities which accrued before the end of this tax year.
‡ Including population and employment changes.

UK NEWS—THE ECONOMIC STATEMENT

Energy

Electricity and gas bills to rise

THE TAP of funds from Britain's electricity and gas industries is to be opened further, in part to help pay for mounting losses in the coal industry. The net result is that electricity and gas bills will rise next year.

All parties involved were being coy last night about the next round of gas and electricity price increases, but barring outright rebellion by Sir Denis Rooke, British Gas's chairman (a possibility not necessarily to be discounted), electricity will go up by about 4.5 per cent next April and gas by about 4.75 per cent in January.

Officially, the position is that both industries having learned yesterday of their negative EFLs (cash repayments to Government), will consult with their consumer councils before announcing pricing decisions.

In practice, the Government has decided that next year should be one when electricity, which, leaving aside the effects of the miners' strike, has lots of spare capacity, fractionally improves its competitive position against gas.

British Gas's EFL in 1985-86 of minus £352m compares with minus £184m this year. This is certainly a higher contribution than British Gas had argued for and may mean the corporation overshooting its 4 per cent return on assets financial target this year. Since the target is an average over four years, that is not something easily open to challenge.

The Government's argument is that as natural gas supplies from UK and Norwegian waters become more expensive to recover, consumers should pay more, both in the interests of "economic pricing" and to prevent gas continuing to increase its share of the energy market.

For electricity, the Government has set a negative EFL of £1,128m, compared with this year's minus £740m. Although not announced yesterday, the electricity supply industry is expected to be set a three-year rate of return target of around 2.5 per cent a year when its current target of 1.4 per cent runs out next April.

This, on the whole, is a rather satisfactory outcome for electricity, although it still has to win its argument in Whitehall for a new capital structure. As it pays off its debt and continues to live through an investment gap, the industry believes that its finances should be restructured in such a way that it retains more of its cash to finance future power station building programmes.

For the other energy industries, yesterday's statement on external financing limits revealed nothing. The National Coal Board's figure of £723m is meaningless, since it was set before the strike. The British National Oil Corporation's EFL (minus £3m this year, against minus £4m last year) is a number selected without confidence that it will bear any relationship to the financial outcome.

In separate parliamentary answers yesterday, however, some further light was shed upon the financial effects of the battering to which the NCB has been subjected by striking miners and BNOC by a volatile crude oil market.

Mr Peter Walker, Energy Secretary, said that the deficit grant for the coal board for the current financial year was likely to be £1.4bn, compared with an estimate of £795m made earlier in the strike. Parliament is to be asked to raise the ceiling on deficit grant from £1.2bn to £2bn a year to sanction this level of support. Although the figures are not strictly comparable, because deficit grant funding does not conform exactly to the coal board's financial year, deficit grant actually paid in 1982-83 was £374m and in 1983-84, £875m.

This is just one indication of the mounting cost of the strike. The other main effect lies concealed in the electricity industry's finances, since yesterday's statement and EFLs for electricity took no account of the strike's effects. Enthusiasm within Cabinet for a "Scargill surcharge" for electricity consumers seems to have waned.

BNOC's problems, caused by its official prices for most of the year having been higher than prices in the spot market, will be paid for by the Government. the Government said yesterday that instead of a small negative EFL this year, BNOC would require up to £41m in external finance.

Ian Hargreaves

Employment and industry

Limit of 3 per cent put on public service pay awards

THE GOVERNMENT confirmed yesterday that pay increases for public service workers—central and local government, and the National Health Service—would be limited to 3 per cent this year.

The Treasury has avoided a formal announcement this year about the cash limit pay factor, which, in practice, sets a limit on public service pay increases; but in a tiny note to one of the tables issued by the Chancellor yesterday the 3 per cent figure was confirmed.

The note says that cash limits for Government departments reflect "an assumption that central government rates of pay and allowances will increase on average by 3 per cent from due settlement dates."

Though negotiations may prove otherwise, the wording seems to imply a tighter restriction than in previous years.

The cash limit pay factor is usually applied to the paybill, allowing room for manoeuvre in pay negotiations, but yesterday's note specifically limits the increase to actual pay rates.

The Council of Civil Service Unions said it was the fifth successive year that the Government had intervened to determine pay. The council warned that discontent in the public sector would lead to disruption of services this winter.

Health workers' unions were angered both by the 3 per cent limit and by the assumption that health authorities would absorb pay and price rises above that figure.

Mr Rodney Bickerstaffe, general secretary of the National Union of Public Employees, said health workers had been "stabbed in the back." The Government had tried to conceal real cuts in pay and was trying to fund the health service "out of the pockets of the lowest paid workers in the country."

● The UK is to have its first public training loans scheme to help people equip themselves with new skills.

Mr Tom King, Employment Secretary, issued a consultation paper after the Chancellor's statement outlining proposals for a £5m pilot project to finance about 10,000 loans. The loans would be aimed at people who want to train for new jobs but cannot afford to finance themselves. It is proposed that the Government would operate the scheme in conjunction with banks and other lending institutions.

There will also be a 25 per cent expansion in the Enterprise Allowance Scheme, which Ministers regard as popular and successful. This provides grants of £40 per week to unemployed people trying to launch their own businesses. An extra £72m is to be allocated to the scheme.

Additional funds will also be provided to enable education authorities to join the Technical and Vocational Education Initiative.

Altogether, £260m is bein made available to finance thes measures, plus a higher leve of redundancy payments an the transfer of some furthe education from local authoritie to the MSC. This is more tha offset by savings of £330m arising from reduced deman on the Youth Training Schem and other social measures, an a reduction in the rebate to employers from the Redundanc Fund.

There was regret in the Confederation of British Industr last night that the Chancello had not provided greater scop for job-creating infrastructur projects—a major feature of th CBI conference last week.

Sir Terence Beckett, directo general, said that the CB broadly agreed with the Chancellor's assessment of th economy. He welcomed th decision to hold the rate of National Insurance contributions, but the CBI took a different view on any decision to add to industry's costs via, for example, electricity charges.

Mr Norman Willis, TUC general secretary, described the Chancellor's statement as "remarkable for its complacency." While announcing an expectation that unemployment would reach even more catastrophic levels, the Chancellor had done nothing for those in greatest need.

Alan Pike and Phil Bassett

Social security

Sick pay scheme extended

NO INCREASE in 1984-85 in National Insurance contribution rates, a clamp down on the abuses in Board and Lodging and Residential Care payments and an extension of the Statutory Sick Pay Scheme are the main features in the Social Security elements of the statement.

The report by the Government Actuary, Mr Edward Johnston, on the financial state of the National Insurance fund—the contributory, funded part of the Social Security system—shows an estimated surplus for 1984-85 of £661m—£271m less than the estimate given in July because of the higher numbers of unemployed.

These favourable features are expected to continue into the next 1985-86 financial year. But instead of improving pensions and other benefits or reducing contributions, the Government has decided to cut the Treasury supplement from 11 per cent to 9 per cent of contribution income.

This reduction in the Treasury's funding of the contributory element will go some way to offset the rising cost of the non-contributory element, mainly supplementary benefits, which come entirely from the Treasury. The Exchequer now meets around half the annual social security bill (some £40bn in the current year).

So the basic NI contribution rate for 1985-86 remains at 9 per cent of earnings for employees and 10.45 per cent for employers, with a contracted-out rebate remaining at 21.5 per cent for employees and 4.1 per cent for employers.

The earnings limits to which the rates apply is adjusted automatically each year for inflation. The Lower Earnings Limit, which approximates to the State basic single person pension, is lifted from £34 to £35.50 a week. Anyone earning below this amount does not pay NI contributions.

The Upper Earnings Limit is being increased from £250 to £265 a week. NI contributions are levied on all earnings up to this limit.

The net effect is that only employees earning £265 a week or more and their employers will pay higher NI contributions as a result of these changes. Contracted-out employees will pay an extra £1.05 a week more and their employers £1.01 more, while employees not contracted-out will pay £1.35 a week more and their employers £1.57.

The basic Class 2 self-employed NI rate increases by 15p to £4.75 a week, but the earnings related Class 4 rate remains at 6.3 per cent on a new annual earnings band of £4,150-£13,780 — the prevenous band being £3,950-£13,000.

Even with the lower Treasury Supplement the Government Actuary estimates a surplus of £834m for 1985-86, assuming 3m unemployed (excluding school leavers), earnings increases averaging 7½ per cent for the year and a benefit uprating in November 1985 of 4.75 per cent.

The Statutory Sick Pay Scheme is being extended so that employers will be responsible for paying the first 28 weeks of sickness, instead ofthe first eight. Employers wil also be relieved of the burden of contributions on payments under the scheme. The 5 per cent abatement of invalidity pension, which has applied since 1980, will be restored from next November.

Eric Short

Nationalised industry EFLs

Rail and coal threat to support target

THE rail and coal industries remain the major obstacles in the way of the Government's increasingly forlorn attempt to slash support for the nationalised industries to £91m the year after next.

Total external finance limits—grants and borrowing from Government—for the nationalised industries is set provisionally at £1.319bn for 1985-86, a £562m cut compared with the current year's estimate of £1.881bn.

Both annual figures are likely to be revised heavily because of changes in the energy sector—particularly the impact of the coal miners' strike on National Coal Board finances. The reduction of the board's EFL from more than £1bn in the current year to £723m is therefore entirely notional since nobody can begin to guess the shape of capital and investment requirements affecting the EFL until the strike is over.

For rail the current year's limit was £936m in the February public spending White Paper and the 1985-86 figure is only £18m less at £918m. As rail and coal have been stuck around £1bn for several years it is difficult to see how their call on the Exchequer is going to fall enough to enable the Government to meet its overall 1986-87 target—unless gas and electricity prices are going to be allowed to leap to pay for virtually all nationalised industry subsidy.

The Treasury aim is to increase nationalised industries' reliance on internally generated funds. This looks most unlikely on the basis of yesterday's financing limits for next year.

British Steel's limit has risen from £275m in the February White Paper for this year to £360m next year. London Regional Transport, an addition to the nationalised industry sector, requires £323m. The water industry, in spite of being required to raise its charges substantially, needs £203m next year compared with £286m in the current year and the South of Scotland Electricity Board needs £191m compared with £261m this year.

Privatisation prospects have helped the forecast financing needs for British Shipbuilders, which had an EFL of £175m this year. It has been cut to £36m for 1985-86 to allow for some receipts from the sale of the warship building yards.

The industries expected to make profits to contribute to the Exchequer remain roughly the same. They are led by electricity in England and Wales, forecast to contribute £1.13bn in 1985-86 compared with the £740m estimate for the current year in the February White Paper.

British Gas is expected to contribute £352m next year (compared with a White Paper forecast of £100m for this year). The Post Office contribution is set to rise £18m to £70m.

The British Airports Authority is shown to be ready for the privatisation runway with an estimated contribution of £21m "profits" next year compared with a net financing requirement of £10m this year.

The February White Paper obscured the fact that support for nationalised industry was forecast to be £410m higher in the current year than the £1.881bn officially shown because EFLs of Enterprise Oil, British Airways and British Telecom, all due for privatisation, were only mentioned in a footnote. Leaving them out, together with figures for capital spending and internally generated funds, makes the writing of prospectuses "easier" so a similar device might be used in next February's White Paper for industries being prepared for public sale.

That and the uncertainty of the Coal Board position could mean a substantial change in aggregate external finance limits.

Robin Pauley

Housing expenditure

Fears of Treasury claw-back

AFTER THE well-publicised battle between the Department of the Environment and the Treasury on the final cut in the housing expenditure figure for 1985-86, local authorities and housing groups were far from reassured yesterday that the announced cut of £65m is the only one about which they have to be concerned.

The revised gross expenditure provision by local authorities, housing corporations and new towns on housing is £3.046bn, a cut of £65m. That the cut is very much less than the £600m being rumoured last week is substantially because the DoE is expecting capital receipts (mostly from council house sales) to be £430m higher than was assumed last year. This puts the total capital receipts in 1985-86 at £1.730bn, against the earlier assumption of £1.3bn. Permitted new expenditure on housing, after deducting capital receipts, is therefore down from £1.821bn to £1.326bn.

The Institute of Housing believes that local authorities alone are planning to spend £3bn-£3.2bn on housing in 1985-1986, whereas the Government will be allowing them only about £2.5bn. Mr Peter McGurk, director, said yesterday: "We can only see these figures being achieved by the Secretary of State cutting the prescribed proportion of capital receipts that local authorities can spend locally." If Mr Patrick Jenkin, Environment Secretary, does cut the proportion (now 40 per cent of receipts), the Treasury could finally be clawing back the capital overspend incurred by local authorities in the past two years.

Mr Jenkin said yesterday that he is "considering whether any change should be made in the prescribed proportion of capital receipts which authorities may use to augment their allocations."

Some local authorities are concerned that the capital allocations for individual authorities for 1985-86, to be announced in the next few weeks by Mr Jenkin, will take into account the amount which they have overspent in spite of the voluntary freeze imposed by the Government in the summer on current-year spending.

Mr Jenkin also said yesterday that he will soon issue a consultation paper on changes to the criteria under which home improvement grants are awarded. The aim was to concentrate the programme more "on those who can least afford to pay for repairs and improvements." The resultant legislation would not take effect until 1986 a the earles.

Capital spending dominated the autumn statement as applied to local authorities. The increase by around £800m in current expenditure provision for 1985-1986 had been announced in July; the main component in this increase will be the need to ensure that rate-capping is successful. Details of the rate support programme will be announced in December.

The Urban Programme, administered by local authorities to improve deprived areas, has suffered a cash cut of £10m. The 1985-86 figure is now £338m, and the DoE said that this total provision (which includes contributions from other departments) will be continued for the next two years.

The DoE repeated its intention to concentrate the traditional Urban Programme in fewer areas. Urban Development Grant will continue at a level that will enable schemes already approved to proceed and new schemes to be brought forward, although no figures have been given.

Mr Mike Millwood, president of the Building Employers Confederation, said: "Cuts are impossible to justify when the capital receipts from council house sales are rising. These funds should rightly be reinvested in housing, where they are badly needed, not simply sacrificed to satisfy the Treasury's monetary targets."

Speaking for the Group of Eight—which represents construction industry companies, trade unions and professional bodies—Mr Michael Manser, president of the Royal Institute of British Architects, also criticised the housing cuts. "That the Government should once again be cutting investment at a time of rising unemployment is incomprehensible," he said

Agriculture

Farm grants axe wielded lightly

WITH THE tide of public opinion evidently running against heavily - subsidised farmers, the agricultural budget must have seemed an obvious candidate for the knife this year.

In fact, though, the Treasury has only taken a minute bite out of agricultural spending—and the EEC and this year's record cereals harvest have conspired to ensure that total British public expenditure on farming in 1985-86 will actually be £103m more than previously planned.

The Government's room for manoeuvre in cutting farmers' subsidies is remarkably limited. Of total projected spending of £2.25bn in 1985-86, much less than 50 per cent is under direct Government control.

A large share of this, in turn, is accounted for by research and advice services for farmers. But when it is wielded on the Ministry of Agriculture, the axe usually falls—as this year—on grant schemes.

The Ministry has about £300m under its direct control, including £200m in capital grants and £100m in support for relatively poor hill farmers.

Capital grant schemes are to be cut by £40m as a result of the Star Chamber process, giving a net £36m reduction in spending for which the Ministry is directly responsible.

This is much less than the cuts of more than £160m originally sought by the Treasury. Senior ministry officials were plainly delighted yesterday at having limited the damage. Many farmers were surprised at the successful rearguard action fought by Mr Michael Jopling, Agriculutre Minister, who was not regarded as the most forceful defender of their interests in Cabinet or the EEC.

Mr Jopling said yesterday that the reduction in capital grants would "take account of particular needs in the livestock sector and . . . further advance my intention to seek a better balance in these policies between agriculture and conservation."

The fall in capital grants is bound to hit investment by farmers, although its effects will probably be gradual and fairly fragmented.

Andrew Gowers

Health

NHS faces squeeze

THE National Health Service appears certain to come under greater pressure than ever during 1985-86 in spite of an extra £700m compared with the current year.

Next year's NHS budget is put at £17bn, £200m more than planned for 1985-86 in the last White Paper. Mr Norman Fowler, Social Services Secretary, said the extra spending showed "the Government's continued commitment to the National Health Service and provides the additional resources which will be needed for the health authorities and the family practitioner services."

However, health authorities will be expected to meet all pay and price increases throughout the year from their own resources. Hospital and community health services are planned to spend £9.58bn in 1985-86, a cash increase of about 5.5 per cent over 1984-85.

However, there is a snag to the apparent improvement represented by such cash increases set against inflation movements as Mr Fowler's recent first annual report for the NHS underlined. It showed that while spending on health care has doubled in cash terms from £6.5bn to £13bn in the five years to 1983, the increase in real terms was just over 7 per cent.

After allowing for cash to compensate for population changes and technological advances, expenditure is barely keeping pace with increased demand.

In that context yesterday's announcement suggests a very tough year for the NHS. Mr Fowler again emphasised that the service will have to find extra resources by being more efficient.

"In the current year health authorities have identified cost improvement programmes totalling £100m to be released for patient care. Next year we expect authorities to build on what they have achieved this year and to take it further."

Robin Pauley

Foreign Office

Real cuts in prospect

THE FUNDS allocated to the Foreign and Commonwealth Office, including the Overseas Development Administration, remain unchanged for 1985-86. They currently stand at £1.87bn.

No one at the Foreign Office is in any doubt, however, that this will mean a considerable reduction, in real terms, in the money available to fund the diplomatic service abroad, its staff at home, Britain's £1.1bn overseas aid programme, the BBC external services, the British Council and subscriptions to international organisations.

Officials stressed that the Foreign and Commonwealth Office and the Overseas Development Administration were facing increased costs because of the decline in the value of sterling and the generally higher level of inflation in other countries.

The size of the cuts in real terms which the department will have to absorb as the result of the Chancellor of the Exchequer's decision to hold next year's Foreign and Commonwealth Office budget steady is estimated at around £34m.

Sir Geoffrey Howe, the Foreign Secretary, is still considering how to share these cuts between the department's various programmes.

Though the final decision lies with Sir Geoffrey, there has been considerable speculation about the kind of cuts which officials have been contemplating.

Some of Britain's more far-flung diplomatic missions in the South Pacific, French-speaking Africa and Latin America will probably be first to suffer. A number of consulates may also be closed.

The choice, however, is not easy to make, given that during the last 20 years the number of independent diplomatic missions has increased by 19 per cent from 109 to 130, in spite of a 20 per cent reduction in diplomatic staff during the same period.

At the same time, the number of British travellers abroad increased from 5m to more than 20m between 1968 and 1983, putting an added strain on consular services in foreign countries.

The general assumption is that Sir Geoffrey will finally hand down a "Solomon's judgment" which will divide the burden of the cuts in as equitable a manner as possible between the various services and programmes which he administers.

Robert Mauthner

Asset sales

Privatisation yield put at £2.5bn

THE GOVERNMENT hopes that next year's special sales of assets will yield £500m more than was forecast in the Public Expenditure White Paper nine months ago.

Yesterday's autumn statement said that estimates of the net proceeds from special sales of assets in 1985/86 had been revised upwards from £2bn to £2.5bn. But the Treasury is clearly taking a cautious line on its revised forecast. The Statement stressed that there were "considerable uncertainties" attached to the £2.5bn figure which would be "dependent on market conditions at the time of sales."

It was being emphasised last night in Whitehall that the Government is not planning to accelerate its assets sales next year.

British Telecom, which will be one of the major contributors to asset sale proceeds next year, is expected to raise something in the region of £3.5bn to £4bn. It is being sold off in three tranches—40 per cent this year and 30 per cent in each of the two following years.

Mr Norman Tebbit, the Industry Secretary, said in July that British Shipbuilders must complete the sale of its warships division by March 1986. But so far ministers have refused to give any indication of how much money they hope to make from this sale.

The first tranche of British Airways, which is expected to raise about £1bn altogether, is also due to be sold off in 1985-1986. And the warships division of British Shipbuilders will contribute to the yield from asset sales next year.

In the Queen's Speech last week the Government announced that it was planning to split up the National Bus Company into smaller units for sale to the private sector. This too is on the programme for next year although it is not certain whether the sale will have been completed by the end of 1986.

Other state sector assets due to be sold off include parts of British Steel and of British Leyland plus UK airports. But the timing of these sales has not yet been announced.

Sue Cameron

Higher education

Better-off families must pay more

ABOUT 64,000 better-off families with sons and daughters at UK universities and polytechnics will be expected to pay £725 a year more for their children's higher education from autumn 1985.

The extra charge will affect the student children of families with combined "residual incomes" of £20,000 a year or more. The residual figure represents taxable income less certain allowances for dependents and interest payments.

Students from these families will lose the minimum maintenance grant of £205 a year, and be expected to contribute £520 towards their tuition fees.

Families with residual incomes in the £18,000-£20,000 bracket—of whom there are about 16,000—will be expected to pay £407 more. There will be extra charges of £241 for families in the £16,000-£18,000 residual income bracket, of £124 for those in the £14,000-£16,000 bracket, and of £57 for those in the £12,000-£14,000 range.

At the same time about 10,000 lower-income families will be relieved of the burden of making any contribution to their children's higher studies, because the lowest figure at which parents are expected to start contributing is to be raised in line with average earnings over the past year.

Sir Keith Joseph's view is that even after the rise in contributions—which has been on the cards for some time—UK support for students will remain generous by western standards. He is personally in favour of substituting loans for at least part of the grant finance at present received by students, but has been overruled by his Cabinet colleagues.

The increased parental contributions should save £24m in public expenditure, more than covering an extra £8m in 1985-86 for fundamental scientific research and a further £6m for restructuring the country's research councils.

Total spending scheduled for all state education in England and Wales and universities in Scotland in 1985-86 is £13.6bn—£210m more than was envisaged in the Government's plan 12 months ago. The amount of the total going to local education authorities responsible for schools and further education colleges in England and Wales will be £10.3bn—about £300m more than scheduled in last year's plan.

Michael Dixon

Water charges

Rises will top inflation

THE CHANCELLOR'S state- England and Wales are likely to ment that water charges in go up by "rather more than the rate of inflation" will be ill-received by an industry which has been trying hard to cut costs in recent years, while striving at the same time to update its often desperately antiquated infrastructure.

Mr Andrew Semple, secretary of the Water Authorities Association, said last night that he was very worried about the implications for customers, who would be hard-hit by a policy that loaded all current costs on to charges.

No detailed assessment had yet been worked out, he said, but estimates by officials of the Environment Department of an increase in charges of between 10 and 12 per cent looked "about right."

The association is to have talks next week with Mr Patrick Jenkin, Environment Secretary, in an effort to discover exactly what the Government expects from individual authorities.

In a written parliamentary answer yesterday, Mr Jenkin noted that there had been a cut of £61m in the external financing requirement of the 10 authorities for 1985/86. The new total is £203m, against £264m in 1984/85.

On the other hand, there had been a "significant increase" of £83m in the amount to be spent in England and Wales on investment. The new total is £769m, compared with the previous figure of £686m. This would lead to faster progress on improvements, repairs and maintenance of sewers and water mains as well as improving the quality of rivers, estuaries and coastal waters.

Walter Ellis

Monetary policy

U.S. deficit still crucial

THE GOVERNMENT'S monetary policy remains firmly on course and holds out the prospect of further cuts in interest rates, Mr Lawson told the Commons.

The autumn statement, however, makes it clear that as long as the U.S. administration takes no real action to tackle its deficit, interest rates on the other side of the Atlantic will remain high.

The implication is that while there is scope for a reduction in base rates from the present level of 10 per cent—and many believe the Government would like a small cut later this month—any substantial reduction will depend on developments in the U.S.

As foreshadowed last month, the Chancellor said that the miners' strike is likely to push up this year's public sector borrowing requirement to £8½bn, compared to a forecast of £7¼bn in the March budget.

Local authority overspending and higher-than-expected debt interest payments have also put upward pressure on borrowing, but they have been more than offset by extra revenues from North Sea oil.

Philip Stephens

THE MANAGEMENT PAGE: Small Business

EDITED BY CHRISTOPHER LORENZ

Venture capital

Robert Fleming takes the plunge

BY TIM DICKSON

MORE and more merchant banks appear to believe that venture capital is a good business for the 1980s and beyond. Already this year *Lazard* Brothers has taken over Development Capital, Baring Brothers has teamed up with San Francisco investment bankers Hambrecht and Quist, and Charterhouse Japhet has enlisted ex 3i executives Ron Sheldon and John Walker to manage a new £15m fund.

Last week Robert Fleming, which manages a cool £7½bn-£8½bn of other people's money worldwide, disclosed that it has also been fishing in the 3i "pool" and has lured away 42-year-old Peter English and 35-year-old Bernard Fairman to run a new fund likely to be established in the UK early next year.

3i—which is the parent company of ICFC and 3i Ventures, a specialist high technology investment arm formerly known as TDC—has inevitably been a target for headhunters employed by the growing number of City of London institutions entering the venture capital game. Several ex-ICFC managers, *for example,* are now running Business Expansion Scheme (BES) funds, but the quartet snapped up by Charterhouse and Fleming all come with the "high tech" 3i Ventures pedigree.

Fleming plans indeed look like a carbon copy of the Charterhouse arrangement, whereby Sheldon and Walker have an exclusive "advisory" contract with the Charterhouse fund and a share of the profits. Details of the Fleming structure have not yet been finalised but it is certain that the new "recruits"—they will not strictly speaking be Fleming employees—will get a U.S. style remuneration package including a chance to take a percentage of the net gains of their venture capital portfolio.

This was obviously a major carrot for Fairman and English but, according to Fairman, the main incentive was the opportunity to set up something on their own. "Venture capital seems to attract a lot of people *who want to control their own* destiny," he observes.

In common with many of its Accepting House rivals Fleming has been investing in unquoted companies for many years—*mostly, however, when* businesses are at a relatively advanced stage of development. Lawrence Banks, a Fleming director, acknowledges that backing UK companies at an early stage requires skills that are not readily available in the Square Mile. (While Fairman's experience is predominantly financial, English has worked for several years in the U.S. telecommunications and semiconductor industries).

Significantly Fleming thought long and hard about setting up its fund under the Business Expansion Scheme, which enables individual investors to claim tax relief at their top rate on investments in a wide range *of unquoted* UK companies. This option, says Banks, was ruled out by the "regulatory red tape which makes it difficult under the BES to co-invest *with* other funds and disqualifies companies which have overseas subsidiaries."

The fate of many of the BES funds launched this summer—few managed to raise more than £2m from the private investor—was also a factor for a group which has ambitions to start the ball rolling with £15m.

●

GORDON DEAN, formerly managing director of Electra Risk Capital (a subisdiary of Electra Investment Trust), has teamed up with stockbrokers Capel-Cure Myers to launch a venture capital management company called Trans-Atlantic Capital.

The new group is looking for around £7.5m for its new Bio-Sciences Fund, a UK limited partnership which will specialise in the Medical and Healthcare field. Johnson & Johnson Development Corporation, the venture capital investment subsidiary of Johnson & Johnson, has agreed to invest up to £500,000 in the fund, though this will be limited to 10 per cent of total investment participations.

Another noteworthy feature is a remuneration agreement *giving the managers* 20 per cent of the profits of the fund.

In brief...

HOW LONG should a business plan be? Long enough to cover the subject and short enough to maintain interest, say John Ormerod and Ian Burns of Arthur Andersen and Company, the accountants. The question is one of the most common asked by small business people when preparing their cases for finance.

Ormerod and Burns have just produced a booklet, "business plans and financing proposals." It is packed with useful information about what potential backers look for and even has a model plan as an appendix.

The booklet is the first of a series giving practical advice on small business. The series is being written by accountancy profession members of the British Venture Capital Association. Contact Tony Lorenz of the BVCA on 01-836 5702 or John Ormerod on 01-836 1200 for more details.

● NATIONAL Westminster Bank is putting up £300,000 to enable the 13th International Small Business Congress to be staged in London in October 1986. The money will cover organisational and administrative costs.

The bid for the London venue was accepted last month at the 12th congress in Amsterdam and could not have been made without NatWest's backing, says organising committee chairman, Sir Charles Villiers.

Natwest's small business manager, Noel Dearing, is hoping the congress will attract at least 700 delegates from all over the world. The main themes will be investment and how small businesses finance themselves.

●

SOLIDATE, which makes high technology weighing machines at Sandbach, Cheshire, is to expand following equity investment of £1.5m by Granville Venture Capital, of London, and Flintab AB, of Sweden. Principal bankers will be Svenska International.

The Swedish connection comes from Solidate's UK licence for Flintab's Shearbeam Loadcells. Over 40 per cent of sales are to Europe, Africa and the Middle East and the company has just received a £500,000 order for a rail weighing system to be installed in a Polish sulphur mine.

Flintab has put in its own man, Gunnar Mangs, 38, as managing director.

A regulated sort of life

BY IAN HAMILTON FAZEY

THE TEST for the aspiring entrepreneur was of the time and effort that government regulations demanded from anyone wanting to set up a *typical tiny company.* The person doing it had no previous business experience. The proposed company was an electrical contractor, based in Cheshire, employing two people and which would turn over more than £18,700 a year, the threshold for VAT registration.

Day one was a foretaste of things to come. It started at ten past nine in the morning with a two-hour, 55-mile round trip from Knutsford to Chester to pick up a VAT starter pack from Customs and Excise. Then came the phone calls — 12 of them — to find out what to do about Income Tax, health and safety, fire regulations and trading standards.

At lunchtime the would-be contractor had to call it a day to get on with other things; collecting the PAYE starter pack from the Inland Revenue at Northwich would have to wait for day two and so would the task of starting to read the literature on VAT.

And so it went on for seven days, collecting some material in person, getting other documentation sent through the post, paying for some of it, reading it, and filling in forms to send off.

There was form OSR1 on fire regulations, obtainable from the local Environmental Health Office, information to read from the Health and Safety at Work Executive, *there was the statutory* sick pay starter pack from the Department of Health and Social Security and explanations of the Employment Protection Acts to study.

That was on top of a trip to Her Majesty's Stationery Office in Manchester to buy (£4) a copy of the Offices, Shops and Railway Premises Act and another to the Department of Employment to collect other forms and leaflets necessary to be read and completed before start-up.

Total time spent on all of this in the seven days was 20 hours and 35 minutes. There were 18 phone calls and 127 miles of travelling. At the end of that time, the would-be contractor had still to obtain and read or scan much other documentation related to running a business in Britain. The full range is shown in the table.

The test was carried out by *the Forum of Private Business,* a non-profit-seeking body with headquarters in Knutsford and a growing membership of more than 10,000 businesses, most of them small companies, partnerships or sole traders.

The forum is run by Stan Mendham, who makes his living from a small firms consultancy called Practical Management Ltd. He is beginning to emerge as the Ralph Nader of British small business. He says: "All that work contributed nothing towards critical start-up tasks like arranging finance, or those that will bring orders and income, such as getting your letterheads printed and sorting out marketing approach."

Mendham believes that such bureaucracy puts many people off starting businesses at all, so that they stay in safe employment if they have a job already. Others, who start trading casually, find themselves in the black economy.

One task carried out by the forum is to survey its members *regularly.* With statistics on small business difficult to obtain, patchy and sometimes unreliable, these surveys are valuable if only to indicate the mood of small business owners.

The surveys show that more than 90 per cent of the forum's members have to spend time each week on sick pay and national insurance. Employment legislation affects 88 per cent. More than two-thirds of the companies were too small for the work to be done by anyone other than the owner-manager.

Other regulations that had to be complied with, though not necessarily on a weekly basis, related to company law, corporation or Schedule D taxes, Capital Transfer, and trading laws. Average time spent on all tasks amounted to 10 hours 30 minutes per week. With time always at a premium in any small business, most people carry out these tasks outside of normal trading hours.

The assumption inherent in legislation is that companies have or will grow to an organisational structure with enough administrative and clerical functions to cope. The reality is that for most, the office of company secretary exists only on paper because it has to and is filled "on the side" by a small firm's owner-manager, assisted by his secretary.

The value of regulations to Government is perhaps best illustrated by VAT statistics. *These show that 60 per cent of* businesses registered for VAT turned over less than £50,000 each in 1983. The value of tax collected by them—their most resented task, according to forum surveys, incidentally—totalled only 3.6 per cent of VAT nett receipts. The next 3 per cent was collected by the 17.3 per cent of businesses in £50,000-£400,000 turnover range.

Lord Young, the Cabinet Minister without portfolio who is responsible for job creation, said last week that possible deregulation for small companies was one thing the Government would be looking at via an interdepartmental study group he would be chairing.

Raising the turnover limit for VAT registration to £50,000 would probably be the single most popular act Lord Young's group could recommend, though Mendham says that it would be even more realistic and encouraging to growth to put it up to £350,000.

Mendham thinks that what is really needed are new legal definitions of what businesses actually are.

Mendham says that there should be a legal status of "micro company" for businesses employing less than five people with turnover below £50,000 and *another of "small company" for* up to 20 employees and £0.5m of turnover. The first category would immediately embrace 40 per cent of all businesses in Britain.

Most would be defined by yet another new legal status—"limited proprietorship." This would be similar to limited liability. Safeguards for creditors would see every business having to register the names of its banker, solicitor and accountant, with all businesses having to agree to operate management accounts. Trade references for credit would be standardised *by the banks and professions* working together.

REQUIRED READING BEFORE STARTING A LIMITED COMPANY EMPLOYING TWO PEOPLE

Document	Length (words)	Time to read or scan
—Should I be registered for VAT?	4,000	10 minutes
—The Ins and Outs of VAT	3,800	10 minutes
—Keeping Records and Accounts	3,700	25 minutes
—Filling in your VAT Return (wall chart)	N/A	15 minutes
—The VAT Guide	44,000	4 hours
PAYE AND NATIONAL INSURANCE		
Guidance Notes on the Operation of PAYE	10,500	1 hour
Employers' Guide to PAYE	50,000	5 hours
STATUTORY SICK PAY		
Employers' Guide to SSP	39,000	1 hour 30 mins
HEALTH AND SAFETY		
Health and Safety at Work — Advice to Employers	10,000	40 minutes
Offices, Shops and Railway Premises Act	36,000	1 hour 40 mins
Short Guide to Employers' Liability Act 1969	1,500	15 minutes
EMPLOYMENT REGULATIONS		
Written Statement of Main Terms and conditions of employment	4,500	22 minutes
Procedure for Handling Redundancies	5,700	25 minutes
Employee's Right on Insolvency of Employer	800	15 minutes
Employment Rights for the Expectant Mother	6,700	1 hour
Suspension on Medical Grounds under Health and Safety Regulations	2,000	20 minutes
Facing Redundancy? — Time off for Job Hunting or to arrange Training	2,300	15 minutes
Union Membership Rights and the Closed Shop	9,200	1 hour 30 mins
Itemised Pay Statements	900	10 minutes
Guarantee Payments	4,600	25 minutes
Employment Rights on the Transfer of an Undertaking	4,000	30 minutes
Rules Governing Continuous Employment and a Week's Pay	6,200	1 hour
Time off for Public Duties	1,500	15 minutes
Unfairly Dismissed	6,700	1 hour
Rights on Termination of Employment	4,000	35 minutes
Union Secret Ballots	1,500	10 minutes
Redundancy Payments	6,000	1 hour 10 mins
TOTAL	269,200	24 hours 27 mins

The time taken to read or scan each document is the minimum needed for basic comprehension of regulations. Working through details would take much longer in some cases.

Gathering the documents together took a Cheshire-based company 18 telephone calls and 127 miles of travelling around Government offices in the region.

Task	% of owners doing work themselves	Time taken each week (hrs:mins)	"Aggro" rating scl:10
Sick Pay	70.1	1:12	9.4
VAT	75.4	2:30	7.9
PAYE	67.0	1:07	6.8
National Insurance	68.2	1:45	6.2
Employment Legislation	76.1	1:08	6.4

In most small businesses the owner-manager personally does the chores associated with Government regulations and legislation. *The main tasks are shown above but other less frequent chores* push up total time spent to 10½ hours per week. The "aggro" rating among the sample of small business owners polled is scored out of 10.

THE ARTS

London Galleries/William Packer

An outsider wins the Turner Prize

It is generally accepted that though he may not be everybody's favourite, Joseph Mallord William Turner was the greater artist this country has yet produced; which makes it not at all unreasonable to name after him the prize for work in the visual arts that has lately been established under the auspices of the Tate Gallery and its new supporting group, the Patrons of New Art. Each year £10,000 is to go to the person whom the prize jury considers to have made "the greatest contribution to art in Britain in the previous 12 months," which citation admits implicitly of a scope that may embrace rather more than just the practising artist. Who knows the curators, scholars, collectors, dealers, critics even, who may now live in hope for a week or two each autumn.

But not this time; two sculptors, two painters and Gilbert George were nominated by the jury from a working list of something under 50 names, and at last Tuesday night's ceremony — or rather "media event," for the *Omnibus* cables, cameras and microphones were there, and its ringmasters very much in control — it was Malcolm Morley, one of the painters, who scooped the pool. What a pity he was not there to claim his prize in person, and how unfortunate that he has lived and worked in New York these 25 years past, and how piquant the fact that of all the final contenders, he alone is as yet unrepresented in the Tate's collections — such chances are for the connoisseur of these occasions to relish.

The Turner Prize is not seen as an exact equivalent, but it was most certainly conceived in the spirit of the Booker Prize, the hope being that it should become in its own way a clear focus of general interest and even excitement, with the bookies shouting the odds, upon serious activity in a particular field. In making the announcement of the result, the Minister for the Arts, Lord Gowrie, referred to what he called the attendant show-biz razzamatazz of the evening with amused enthusiasm, and went on to make the entirely serious point that the runners in this five-horse race, whom we in the art-world know so well, are nevertheless virtually unknown to that wider national audience that might yet be intrigued by the occasion. Anything to increase their awareness, and with it their understanding, is to be welcomed and if it should be by a bit of fun, why ever not?

For my part I am inclined to agree, and if I have misgivings they are rather more of detail than principle. £10,000 is, in all conscience, a healthy sum of money, but it is not unusually so for the art world, and it should be seen in the context of the other awards and competitions available to artists. The John Moores kitty, *for example*, has been rather more than that in recent years, and this time the first prize alone is to be £11,000. The Tolly Cobbold prize money is to be increased, I understand, though I have no details: the John Player Portrait Award is nudging up to five figures: and Barclays Bank only this autumn have instituted a single award of £10,000 to an artist emerging from London's post-graduate schools.

But the Turner is no purchase prize, has no other strings attached, and is clearly intended to be quite as much conspicuous public honour as encouragement. Indeed, for most of the artists involved at this rarified level, it may well be that, just as with the Booker, though the effect of the award will multiply all those pounds many times, the sum may be a comparatively minor consideration. By the nature of the thing, set out in its rules, artists will win it rather more often than not, and there are many artists, knowing a good thing when they see it, who say that it should be reserved to them in any case. But it is a pity, given its published scope, that in its inaugural year a gesture was not made towards those wider possibilities in the final running—which is not at all to quarrel with the result.

It brings me, however, to a more fundamental misgiving. This would not have been my short-list, and I would, I think, have argued in any case that five is too small a field. But pondering on whom I would have wished to run, it was borne in on me that the very nature of the activities of the art world, primary or secondary, is such that makes the twelve month rule an unnecessary and even damaging constraint. Paintings and sculpture may take months to make, exhibitions perhaps years to put together, and books too, and scholarly, curatorial and critical reputations. Whoever has the luck, therefore, to have a major show afoot, to be chosen for Venice perhaps by the British Council, or toured around America in the year, will qualify as it were by right—deserving though that success may be—at the expense of less public or spectacular achievement. I would be much happier, bearing in mind that any jury will necessarily be the creature of current preoccupations and developments, were the Turner Prize to be awarded for the greatest sustained contribution to British art in recent years.

All that, however, is for others to consider: I wish the enterprise well, trust that it catches the popular imagination, and look forward to getting my money on at a decent price next year, for I had the frustrating satisfaction this time of picking the winner. Accepting the runners as they were, of course, and entering into the spirit of the thing, I came to my conclusion thus. Howard Hodgkin, the painter, our representative at Venice this year and a wild success, unofficial victor ludorum of the Biennale, was certainly the favourite, evens at least, if not odds-on; but the exotic duo Gilbert & George, could not have been far behind in any book, for a large exhibition of their self-celebratory, immaculately made photographic tableaux has been touring America, and that too has been a huge critical success — something, I should say, around 6:4 against. And at the other end of the scale there was Richard Deacon, a young sculptor of real interest and promise, with a show on the road in this country (now in Edinburgh), but seen in this company more as a marker for the rising generation of British sculptors. He is the one to whom the prize would have meant most, but perhaps his turn will come — the clear outsider at 25:1 or 30.

Which left two runners, Richard Long, the sculptor and walker, and Malcolm Morley, the expatriate painter: and of the two, had I been a judge, I would have chosen Long, whose singular and poetical interventions in the landscape, and re-dispositions of material, I have praised often enough on this page—but it was not my decision, and I fear his price might still have been a little short, 7 or 4:1, perhaps. I was left, therefore, with Malcolm Morley at a putative 8:1 or so in the non-existent book, a good winner as it turned out, whose work is right in the mainstream of the new figurative expressionism, as we saw in his excellent show at Whitechapel a while ago. These were all serious contenders, and examples of their work remain on show at the Tate until December 2.

"Farewell to Crete" by prizewinner Malcolm Morley

Spring Awakening/Sheffield

B. A. Young

Frank Wedekind's *Spring Awakening* was an important play in its time, and there is much in it today to justify another look. But if the sad life of German children in Edwardian times is to be appreciated as relevant to the teenagers of our own day, some adjustment is needed. "Mouse," in Wedekind's play, shoots himself because of an exam failure. Mike gives Wendy a baby (I use the names in the adaptation) because neither has had any sex instruction. He is taken away from college and shoved into the army where, his parents think, he will learn not to be a degenerate; Wendy wanders into the woods and dies of exposure. When Mike deserts, having met with more elaborate degeneracy in the army than he knew at home, he stumbles on her grave. On the sidelines, two boys start a romantic friendship.

Ewen Smith's ingenious idea for the Crucible was to make the play into a rock-opera, with the actors moving into the group for the songs. But he hasn't gone far enough, for the plot trips up on the sexual mores of our own age. You'd be hard put to it to find a modern boy or girl upwards of 14 who hadn't some idea how to make a baby (or how to avoid one). As for exams, it would be good to think that all parents cared deeply about their offspring's O levels, but too often, it seems to me, they regard them just as normal hurdles in life to be got over, like puberty.

So there's not enough contemporary social impact in the Sheffield *Spring Awakening*. These kids are living a 1906 life against a 1984 background, and sympathy dissolves in a feeling that they don't do enough for themselves.

The acting by the principals is as good as you could ask for in what is an unconvincing world. As Mouse, Jonathan Barlow is at his best when, at the end, he is resurrected from Hell, half his face shot away, to lure his old friends to join him. Mike (John Skitt) is oddly short of passion in his first experience of copulation, but he moved me in his later scenes of desperation; and Tracie Bennett as Wendy seemed truthful in her innocent sexual experiments.

The inserted pop songs by Mia Soteriou sound well, as pop songs go, but the band is so loud I couldn't hear many of the words. They're printed (in very small type) in the programme; but you need the immediate comment. There is an apt set designed by John Otto, who has to accommodate the band on stage, and the direction by Clare Venables is as reliable as it always is.

Baby with the Bathwater

Martin Hoyle

Colchester's Mercury Theatre has a serviceable new studio. It also has a recently arrived director, Michael Winter, with a record of unearthing successful novelties at York.

Its British première of Christopher Durang's surreal comedy deserves support: for the laughs earned by the sharp young cast, if not the play which takes one back to the ubiquitous theatre of the absurd boom of the Sixties.

Still, the young American writer has much to say on his own account about the vulnerability of children and the damage inflicted on the young by their elders. Remembered in London for an equivocally-received double bill mounted last year by the Little Theatre of Comedy, he presents us here with a comic-strip world of monstrous parents, mad teachers, insane nannies, like a surreal Jules Feiffer combined with a zany Edward Albee.

Proud parents coo over their newly-born, to be called Daisy though they have not yet checked its sex. Mother (Pamela Keevil, a pugnacious Kim Novak clone) demands divorce when not yelling "smile!" at the baby. As Father prays for help, the door opens and a Nanny walks in (like Billie Whitelaw sent from the devil in *The Omen*?) *She instructs Mother to write a* novel and, undressing, leads bemused Father into the kichen for a "quick one."

Subsequent lunacy includes a stranger joining the household in bed, claiming the dog has eaten her baby, then perishing (with dog) beneath the wheels of traffic as she kidnaps Daisy. The unseen Daisy's childhood is marked by catatonic spells in the laundry-bag alternating with suicidal rushes in front of buses.

We eventually meet Daisy at 17, in a print dress and the hairily-legged person of Paul Venables. A protracted college education and psychiatric sessions, plus changes of name and sexual identity, continue for 13 years. The play ends hopefully, I think.

As a satiric comment, the play's fangs are drawn by farce, the venom diluted, but the mad wham-bam approach still scores a number of laughs. The cast is completed by Sue Broomfield, Paul Osborn's ineffectual cocktail- (ie, bottle) swigging Father, and Anne Kidd, raucously funny as an insane High School Principal, gleefully bossing her male secretary and threatening black magic. Liz Gilbert's black-and-white set catches the comic-strip tone. An extended undergraduate revue-sketch, perhaps; but an *amusing one*.

Saleroom/Antony Thorncroft

This is the week when Sotheby's and Christie's hold their main sales in Geneva and Christie's kicked off on Sunday with an auction of art noveau and art deco which did very well, in parts.

There was a record price paid for a table lamp by Gallé—£351,290 for "Les Coprins," designed as three fungi and executed by Gallé in 1904, the year of his death. Only four other examples are known. It was part of a 27 lot collection which totalled £595,312, with 17 per cent unsold. An engraved and applied dragonfly coupe of the same year made £63,871.

Another record price was the £46,129 paid for a book binding, by F. L. Schmied of Joseph-Charles Mardrus's "La livre de la verité de parole" of 1929. It was one of a limited edition of 150.

Yesterday at Geneva Christie's sold European porcelain for £441,788, with 19 per cent bought in. A Meissen Chinoiserie table bell of around 1730 sold for £28,387, and the London dealers Capes Foster paid £23,065 for a pair of Meissen Chinoiserie sugar casters and screw covers of 1737.

At Sotheby's glass sale in London yesterday Shepard and Cooper, the dealers, bought a rare Beilby commemorative bowl of around 1765 for £19,800. Only two other bowls by the Beilby's are recorded.

New cast for 'Noises Off'

Noises Off by Michael Frayn, which has played over 1,000 performances at the Savoy Theatre, is to have a complete change of cast from December 3. Michael Medwin will take the role of the stage director, and his confused company on the chaotic provincial tour will include Josephine Tewson, Hugh Paddick, Roland Curram and Dilys Watling.

The Golden Age of Anglo-Saxon Art/British Museum

Patricia Morison

Great art refined by suffering

Illuminated manuscripts from later Anglo-Saxon England are some of our greatest and least-known works of art. This exhibition is an exceptional chance to see these works in quantity. Although most of them are in British libraries, so damaging are the chemicals which cling to us that even the well-scrubbed scholar can rarely handle them.

A quartet of particularly lavish manuscripts occupies pride of place: the Benedictional of St Aethelwold and the Harley Psalter, now brought together with the Missal of Robert of Jumièges and Archbishop Robert's Benedictional. Even the eleventh century saw an export drain in works of art. These last two books were sent to Normandy where they remain. Close links with the Continent is a major theme of this exhibition. Pro-marketeers should rejoice. The Channel was less a barrier than a highway to the Continent, yet for all the foreign influences, Anglo-Saxon art was highly distinctive.

These four manuscripts encapsulate the richness, vitality and sophistication of the dominant Winchester style. One continental import was the acanthus, used in heavy borders to the pictures. Colours are restrained and gold is much used, but characteristically flickering lines create a light effect.

Never were angels more aeriel than those of the Anglo-Saxons. People too seem insubstantial, with expressively slender hands and feet. Their clothes flutter in a constant breeze. This same refined grace is evident in objects in gold, silver, walrus-ivory and stone.

But all was not sweetness and light in the Anglo-Saxon Church. This exhibition commemorates St Aethelwold of Winchester's death in 984. He is not exactly a household name. The indispensable but excessively dry catalogue relates that he was one of the triumvirate of saints who cleaned up English monasticism. Grave disciplinary lapses had occurred during the chaos of the first Viking onslaughts. But the bishop has been Bowdlerised. We are not told that Aethelwold, like many an ardent reformer, was a holy terror. "Son of Thunder," as he was known, he frequently beat stupid monks. Once he ordered a monk to plunge his arm into a cauldron of boiling stew to test his obedience.

King Edgar, Aethelwold's collaborator, apparently dances for joy in the charter for his reformed monastery of New Minster at Winchester. The prayers of the monks would put pressure on the Almighty to protect the kingdom. Sixty years later King Cnut, a Scandinavian conqueror, is shown preserving a cross to New Minster. Angels crown him and the monks express their admiration. The purity of monks was not just a religious but a political matter. The new-style monasteries followed a harsh regime. Monks rose at two for the first of many prayer sessions; they ate lots of beans, drank considerably less beer than historians once thought, and were laid on a bed of ashes to die.

But men and women entered monasteries to escape Lady Luxuria, a seductive creature to judge from a drawing here. The commissioning and making of these church treasures were meritorious deeds which might tip the scales in the great weigh-up. Lavish manuscripts were not coffee-table books. They were part of the struggle against sin. The Cross, ultimate symbol of this desire for salvation, appears everywhere. Most splendid is the V and A crucifix in gold, ivory and brilliant enamels. Christ here is suffering, a century before this representation is usually said to become popular. Anglo-Saxon art was one which valued suffering.

The mundane side of Anglo-Saxon culture is also displayed. Charters and wills show that the flourishing state of the arts depended on the ownership of lands and slaves. Coin-fanciers will linger over the hundreds of small silver pennies, minted by men called Grim, Wulfwine and Frotheric. But everyone should pay homage to one tatty tenth-century manuscript. Had it not just been singed but burnt in the fire at Sir Robert Cotton's library in 1731, we would have lost *Beowulf*, one of the greatest epic poems. It depicts a heroic world, evoked here by a sword with runic lettering and a frieze which may show Sigmund the Volsung biting off a wolf's tongue.

The most charming exhibit is a portable sun-dial. This pocket-sized treasure in gold, silver and glass, measured the sun's altitude. For those bored with their Patek Philipes, perhaps Asprey's could make copies for Christmas 1985. But here is a reminder of weightier concerns than merely telling the time. It is inscribed, "Salvation to the maker, peace to the owner." As much as anything in this memorable exhibition, it shows the sophistication and the strivings of later Anglo-Saxon England.

A Crucifix Reliquary

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

Nov 9–15

Opera and Ballet

PARIS

Der Rosenkavalier conducted by Adam Fischer in Ezio Frigerio's decor. Elisabeth Soderstrom, Gunter Missenhardt/Helmut Berger-Tuna, Trudeliese Schmidt. Eva Saurova/Marie Christine Porta. Palais Garnier (742.57.50).

WASHINGTON

Washington Opera (Opera House): The season continues with Gian Carlo Menotti's 1982 production of La Boheme conducted by John Mauceri with Sheri Greenawald as Mimi and Jerry Hadley as Rodolfo along with a new production of The Merry Widow with Mary Jane Johnson in the title role and the D'Oyly Carte's Donald Adams as Baron Zeta, conducted by Carl Stewart Kellogg. Kennedy Center (254 3770).

NEW YORK

Metropolitan Opera (Opera House): The week includes Il Barbiere di Siviglia conducted by Silvio Varviso with mezzo Julia Hamari and baritone Leo Nucci, Manon Lescaut conducted by Nello Santi, La Boheme in the local conducting premiere of Placido Domingo, as well as Jean-Pierre Ponnelle's new production of La Clemenza di Tito conducted by James Levine. Lincoln Center (362 6000).

New York City Opera (New York State Theater): The week features Philip Glass's opera Akhnaten directed by David Freeman and conducted by Christopher Keene, with mezzo Marta Senn and tenor Christopher Robson; Stephen Sondheim's Sweeney Todd conducted by Paul Gemignani with mezzo-soprano Joyce Castle alternating with Rosalind Elias in Hal Prince's production; The Magic Flute, and Cavalleria Rusticana/Pagliacci. Lincoln Center (870 5570).

LONDON

Royal Opera House, Covent Garden: Andrey Tarkovsky's imaginative, irritating production of Boris Godunov returns with a new conductor (James Lockhart) and a new title-role bass (Nicolai Ghiuselev), but otherwise a cast much as before. Last performance of the current Carmen, with Teresa Berganza, Jose Carreras, and Valerie Masterson the much-admired principals. (240 1066).

English National Opera, Coliseum: Dvořák's Rusalka, a David Pountney production first shown last season, is one of ENO's biggest successes of recent seasons, a wilful, beautiful, disturbing digging-out of the Freudian subtext from the woodland fantasy. Further performances of Patience, the ENO's finest Gilbert and Sullivan, of Arabella, with Josephine Barstow, and of the new, harshly revealing Madam Butterfly. (836 3161).

CHICAGO

Lyric Opera (Civic Opera): Luciano Pavarotti sings the title role in Ernani, with Grace Brumbry as Elvira, and Carmen stars Alicia Nafe in the title role and Maurizio Frusoni as Don Jose. (332 2244).

VIENNA

Staatsoper: The Marriage of Figaro conducted by Leopold Hager with Janowitz, Popp; Rigoletto conducted by Bareza; The Woman Without Shadow conducted by Leinsdorf with Rysanek-Gausmann, Jones (5324/2655).

Volksoper: The Bartered Bride; The Merry Wives of Windsor; The Merry Widow. (5324/2657).

NETHERLANDS

Amsterdam, Stadsschouwburg. The National Ballet with Slow, Heavy and Blue choreographed by Carolyn Carlson, Gesang der Jünglinge by Rudi van Dantzig (music: Stockhausen and Chopin). (242311).

Amsterdam, Carre Theatre: The Opera Italiana di Milano presents Rigoletto, with soloists Bruno Dalmonte, Roberto Argazzi, Miriam Gauci and Giacomo Bertasi, and the Budapest Symphony Orchestra and Musica choir conducted by Lajos Vasady-Balogh (548 000).

Scheveningen, Circus Theatre. The Netherlands Opera production of Don Giovanni, with John Broecheler in the title role and Roberta Alexander and Ashley Putnam in other leading parts, the Netherlands Chamber Orchestra and the Opera Choir under Edo de Waart and Ed Spanjaard (55 68 00). Repeated Thur in Amsterdam, Stadsschouwburg (242311).

TOKYO

Takarazuka All-Girl Revue (Takarazuka Theatre). An original operetta: My Love For Beyond the Mountains. This troupe, a speciality of Japan, is the counterpart of Kabuki where the girls play the men's roles. Spectacular and technically good, simple plots, good English synopsis in programme. The theatre is near the Imperial and Palace hotels. (591 1711).

INTERNATIONAL GUIDE TO THE ARTS
every Friday in the Financial Times

Tartuffe / Minneapolis

Frank Lipsius

Now nearing 25 years old, Richard Wilbur's witty and contemporary verse translation of Tartuffe has sustained many productions. Few could have put its virtues to better use than Lucian Pintilie's version at the Guthrie in Minneapolis. Both the translation and production are clever and modern without undermining Moliere.

The antics get rolling when a barrel of apples spills at curtain rise. Claudia Wilkens as Mme Pernelle talks into a world that refuses to listen, driving her to grating heights of stentorian effort. Pintilie's imitation of the archer qualities of the Comedie Française create some unnecessary historionics that thankfully disappear later on.

Gerry Bamman's Orgon is a scatter-brained, ageing youngish man, who can even sound convincing in his support of Tartuffe. His incipient beer belly puts energy in his slavish deference to the imposter. As Tartuffe, Harris Yulin is transformed into an elegaic and wispy-haired Christ, who enters being whipped on the back and spurting blood down the white brick backdrop. He is a fanatic of riveting interest. His eyes sparkle with conviction and he elicits belief.

Pintilies has him actually perform a miracle by getting a crippled man to walk. The director has no time for miracle workers whether they are charlatans or not. This twist makes a 1930s Hollywood gangster movie out of the last scene.

Originally, Moliere lauds a John Stuart Mill style benevolent despot, like his patron Louis XIV. Pintilie makes a startling scene of his contempt for despots of any sort. A 1936 Cord-Dusenberg comes busting through the backdrop for the reading of the king's pardon. Peter Francis-James screams it out and pulls a gun to shoot Tartuffe in a repudiation of demagogues, who arouse violence against themselves to the degree to which they are dangerous.

An art-deco clock decorating a backdrop that could be a ramped entrance to a modern office block remains stationary until the last scene, when the clock hands go beserk, presumably to catch us up on the times. Before that, the set designer, the director's fellow Romanian Radu Boruzescu, and his costume designer wife Miruna Boruzescu, project elegant timelessness starting with eighteenth-century cloaks made in sleek new brushed cotton. In this costume, the lively and endearing François de la Giroday as Valere can parade round like a foppish pop star. A note in the programme says that the cane he uses had to be improvised after he sprained an ankle in rehearsal, but he and Katharine Leask as Mariane have now even worked the cane into their floor-rolling antics.

Apples reappear singly to add sensuality to the romantic encounter between Tartuffe and Harriet Harris as a well-meaning, attractive Elmire. Pintilie does not rush through everything as a gesture to farce. Each scene has its imagery that knits the threads together to give the director his say along with the playwright's. He sees Orgon as going through a middle aged crisis, married to a much younger woman and trying to hand over his responsibilities to Tartuffe. Isabell Monk as the maid Dorine anchors the forces of reasonableness with her down-to-earth practicality, but the other example of rationality, Richard Ooms as Orgon's brother-in-law Cleante, sounds much more sensible than he appears, waving a handkerchief. He does not get the upper hand with Tartuffe who is thus allowed his strengths to inject ambiguity in his character, though no less repugnance to his impact on those around him. Through antics and tricks Pintilie adds subtlety and modernity to Tartuffe.

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Opportunity for the Arabs

THE election of an American President invariably brings forth from the Middle East expressions of hope and warnings of impending doom. Last week was no exception. More worryingly, it also brought again to the surface some of the discredited myths which for too long have surrounded the Arab-Israel conflict.

The greatest of these myths, perpetuated principally by Arab countries, is that a new or re-elected U.S. President will somehow discover the desire or capacity to impose on Israel what they consider to be a just resolution of the Palestinian issue. It has been assumed that this conversion will occur because of the inherent justice of the Arab cause, not because the Arab countries themselves have adopted policies which make an American change of heart more likely.

President Reagan should by now have disabused the Arab countries of that notion. During his first four years in office Israel has been brought into closer alliance with the U.S., occupied another slice of Arab territory in South Lebanon and established itself yet more emphatically on the West Bank and Gaza Strip, the home of 1.2m Palestinians.

The Arab countries have contributed to this disaster by their failure to grasp the opportunities which tend to present themselves in the Middle East in the wake of climactic events. The Israeli invasion of Lebanon provided just such a moment by provoking President Reagan into launching his September 1, 1982 peace proposals. Although rejected out of hand by Israel, the proposals did offer a chance for more moderate Arab nations to explore a process which Washington believed could eventually have led to a substantial Israeli withdrawal from the West Bank and Gaza.

King Hussein of Jordan was only frustrated in his wish to test the sincerity of the American offer by the refusal of Mr Yassir Arafat to risk a definitive split in the ranks of the Palestine Liberation Organisation. That split will be confirmed if Mr Arafat finally goes ahead with a meeting of the Palestine National Council, the highest policy-forming body of the Palestinians, in the face of bitter opposition from Syria.

The importance of the meeting is that it could open the way to productive co-operation between the moderate wing of the PLO, Jordan and Egypt. If they were jointly to express a conditional willingness to involve themselves in a relaunched Reagan plan, it could provide the signal for the U.S. to be tempted back into the arena.

Israel, under its new government headed by Labour's Shimon Peres, also wants the Americans to become more involved. It has become expensively trapped in the quagmire of Lebanon. It believes that it needs American assistance as a go-between with Syria in order to ensure security for its northern border after the withdrawal of its forces. At the same time Israel is heavily reliant on the U.S. in seeking to resolve its economic crisis.

It also now has within its cabinet several ministers who are *deeply concerned for* the future of the country if it continues the occupation of the West Bank and Gaza.

Compromise

At the very least, the combination of these factors should indicate the possibility of greater Israeli flexibility than was apparent during the life of the Likud government. With further cuts in government *spending* inevitable it should be possible to make a positive political gesture out of economic necessity by announcing a conditional freeze on the building of any further West Bank settlements, as demanded by King Hussein.

Such actions would not just strengthen the will of Arab moderates but would also weaken Syrian arguments that Israel is adamantly opposed to any form of territorial compromise.

The U.S. Administration accepts that Syria has recently played a "helpful" role in Lebanon: part of the Israeli Government accepts that it is possible to strike a durable deal with Syria. So long as Syria is not totally ignored, those more positive qualities could be encouraged to develop. The myth of unbending Syrian intransigence is another which *could yet be disproved* during President Reagan's second term of office.

Long-term view of UK economy

THE FACT that yesterday's Autumn Statement contained no important surprises was itself neither a surprise nor a cause for concern. It was if anything commendable that Mr Nigel Lawson, the Chancellor of the Exchequer, had little new to say so soon after the last Budget. One of the more important lessons of modern economic theory is that economies are more likely to prosper if governments eschew continual policy adjustments: individuals and companies need a stable environment if they are to plan for the future. The lasting and important legacy of Mr Lawson and his predecessor, Sir Geoffrey Howe, will have been to shift the horizons of policy-makers from the very short run to the much more significant medium and long term. The only regrettable consequence is that macro-economics becomes more boring—at least for commentators.

In many respects this year's Autumn Statement was a carbon copy of last year's. Once again, the Chancellor was obliged to report an over-run of the public sector borrowing requirement, although this year's prolonged miners' strike gave Mr Lawson a more convincing excuse. Once again, the Chancellor was able to announce a planning total for the coming financial year's public spending which involved no significant slippage from the previous February's White Paper. Once again, the Chancellor was able to report a year of stable inflation and steady economic growth. Yet there was a subtle change of tone: last year, Mr Lawson talked of his "winning combination" of policies; this year, perhaps conscious of longer dole queues, he spoke of "testing developments."

The testing development which Mr Lawson had most in mind was the disruptive coal strike which, while at last showing signs of cracking, has sliced 1 percentage point off the growth rate, raised the PSBR by £1½bn, put the balance of payments under strain and tarnished any reputation Britain was acquiring for more civilised industrial relations. But the strategy has also been tested by the height of international interest rates which has helped to prevent the cost of money in Britain falling in line with inflation. The third testing development Mr Lawson might have mentioned is the tougher battle he has had on public spending with various departments.

The hint of diminishing resolve on public spending may not seem very important: after all, the Chancellor says there should still be scope for tax cuts of £1½bn next year. But there are several grounds for caution. First, Mr Lawson's November utterances are hardly a reliable guide: last year, fears of a £1bn increase in taxes turned into an actual cut of £1¾bn. Second, the room for manoeuvre is being retained by a mixture of good fortune and fudge. The strong dollar which the Treasury perhaps unwisely assumes will stay up, is being relied on to boost oil revenue by £2½bn in 1985-86.

Rewards

This is an elastic which can be stretched only so far. If public spending can genuinely be held down in real terms for the life of this Parliament, then even modest economic growth of, say, 2½ per cent a year would make possible quite substantial tax cuts, although perhaps not quite on the scale envisaged by the latest version of the Medium-Term Financial Strategy. But without resolve substantial tax cuts—the part of Mrs Thatcher's programme which is yet to be delivered—could all too easily turn into a mirage.

Critics of the Government's medium-term approach cannot deny that it is producing some rewards. Investment should rise in real terms by an impressive 17 per cent in 1984 and 1985 taken together. The Treasury's economic forecast confirms the *view of several independent* forecasters that Britain should now enjoy several years of steady, if unspectacular, growth. The problem for Mr Lawson is that the growth does not look fast enough to stop unemployment creeping higher. The Treasury's forecasting record on unemployment has been poor and once again the Government Actuary's "assumption" looks too optimistic. One message is that the Government must be vigilant to ensure that it does not undershoot its nominal GDP targets. The other is that it must continue to search for ways of improving the economy's supply-side response: further radical tax reforms, on which Mr Lawson was mute yesterday, must be part of the equation.

THE UK AUTUMN STATEMENT

The lobbies and the arithmetic

By Samuel Brittan

CHURCHILL said that the only argument for democracy is that other systems are worse. Listening to the questions which came to the Chancellor from the Opposition and some of his own back-benchers, had the effect on me that such occasions always have, whoever is Chancellor and whatever the party in power.

I arrived highly critical of the Treasury's seeming impotence in the face of unemployment, and of the Government as being nothing but a conventional coalition of interest groups making a great noise about doing nothing very much. But I left feeling how extremely perverse are the parliamentary pressures on any modern government and how much worse it would perform if it took even more notice than the too much it already does of the demands for policy changes.

Politicians and commentators succumb to the pressures of the construction industry and imagine that they are full of compassion for the unemployed. They succumb to the aid lobby and feel that they are very virtuous about famine relief—ignoring the way in which official aid programmes (most of which have nothing to do with food and famine) have nourished loathsome dictatorships, such as the one in Ethiopia, which have contributed so much to the starvation of their own people.

Here at home the pressure groups and lobbies have had too much of their nasty little way. No politician sought to query the way in which combined spending on the EEC, agriculture and the Intervention Board is expected to rise by £360m in cash in 1985-86 compared with this year and £290m compared with original plans. Thus far the farm lobby.

Most incredibly of all, MPs spoke about "deflation." They must have been looking at a different document from the one I received. Total demand and income in cash terms are estimated to rise by almost 7 per cent this year, despite the miners' strike, and by about 8 per cent in 1985-86. Some 4½ per cent of next year's rise will be siphoned off into inflation, leaving some 3½ per cent for a rise in real output.

The split between pay and prices on the one hand—and output and employment on the other—is clearly unsatisfactory. But could Roy Hattersley or Ian Gilmour or Peter Tapsell tell me where on earth the deflation is to be found in these figures?

Even in terms of the fiscal balance—which I suppose is what MPs in their very deep subconscious mean by deflation—there has been relaxation, not fresh restrictions. The Autumn Statement does not estimate expenditure this year (which might be at least as interesting as plans and intentions for 1985-86). But the Treasury estimates of the 1984-85 borrowing requirement is up £1½bn on the Budget. An extra deficit to outface the so-called flying pickets, the threat of whom has intimidated every government for the last dozen years, is indeed a good investment. But where is the deflation?

As for 1985-86, the Government's expenditure targets have been held to £132bn, involving a reduction of the contingency reserve and a small increase in spending plans as they stood at the last Budget. It is normal for the contingency reserve for a distant year to contract as that year approaches. But there are other items in the arithmetic which suggest a modest fiscal loosening. An extra £500m is to come next year from privatisation and perhaps £400m from hoped-for extra sales of council houses. These are not expenditure cuts, but financing instruments, just like sales of government stock.

But one is bound to ask what good this covert fiscal reflation, whether intended or forced down the Treasury's throat, has done the unemployed. MPs who ask for "modest reflation" are simply playing games with the unemployed. In terms of the full employment demand management by which the economy was supposed to have been run up to the early 1970s, the amount of fiscal reflation required would be *at least £30bn* with fully supporting relaxations on money and credit. If we are not prepared to go along this road, it is time to realise that full employment requires an entirely different approach based on the labour market rather than budgetary red ink.

In terms of the way the Budget actually is prepared today, the Autumn Statement offered at its best guess an "implied fiscal adjustment of £1½bn." This is equivalent to a cut of 1.25p in the basic income tax rate and the higher rates, assuming that no extra revenue is recouped from indirect taxes.

There is, however, enormous scope for variation between now and Budget Day. Next year's PSBR target has not been fixed The Autumn Statement, despite all the demands of the critics, says nothing whatever about fiscal and monetary policy. It simply rolls forward the £7bn PSBR figure given for 1985-86 in the last Budget Red Book. That could change by a billion or two either way within the spirit of the MTFS; and the Treasury's PSBR forecast can change even more.

This time last year the Chancellor dismayed the House by indicating possible tax increases of £1bn. In the end he cut taxes by £2bn. The swing could easily be even larger; and in either direction.

The most interesting part of the Autumn Statement will probably be found to be in the economic forecasts, not because of their clairvoyance, but because of the analysis of the present and recent past which the Treasury has carried out in *making them.*

Originally, the Treasury expected output to rise by 3½ per cent this year and 2½ per cent in 1985. Because of the coal strike it now expects the reverse; a rise of 2½ per cent this year and 3½ per cent in 1985. The Government Actuary's estimate of no change in unemployment next year, is probably in the same range as the Treasury's private forecast.

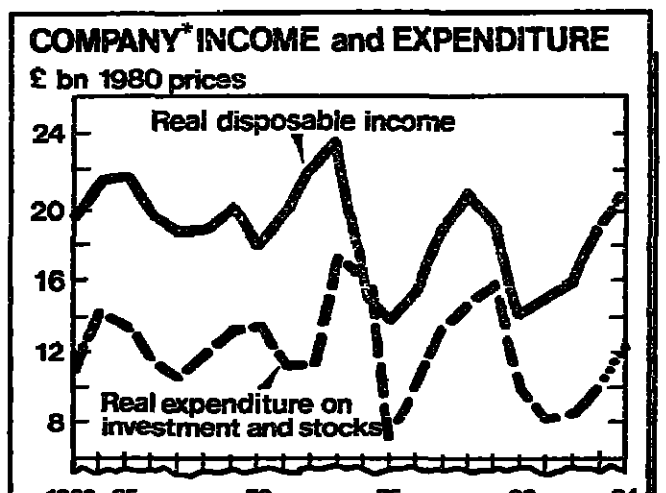
The Treasury has, however, a record of being much too optimistic over unemployment.

The Autumn Statement contains an unusual chart showing that independent forecasters have expected inflation to be much higher than it actually has been. In the next Progress Report there should be another such chart showing how much higher unemployment has been than the Treasury itself has forecast. Such a chart can be produced with the aid of that exemplary figurehead, the Government Actuary.

In order to end on a more cheerful note, I have reproduced another Treasury chart: that of corporate disposable income excluding that derived from North Sea Oil. In the year until this June, company income was 28 per cent higher than in the previous year. It is now back to the level it reached in the 1960s, although it is still not as high as it was then, either as a proportion of national capital.

This rebound in profitability is the most important aspect which distinguishes the present economic recovery from its predecessors, assuming that the graph continues to point upwards in 1985. This and similar phenomena in Continental countries are about the only consideration I can urge on frustrated U.S. corporate planners who want to abandon Europe for the Far East.

But a change will be required in the behaviour of real wages and other elements in labour costs, subjective and objective, if the forthcoming new investment is to provide new employment at all soon and not just save labour. The Chancellor is perfectly correct to highlight excessive real wages as the root of unemployment. But he and his colleagues must be expected to *do something about it.* Diagnosis alone can be left to textbooks and commentators.



*Industrial and commercial companies (excl. N.Sea operators)
Source: Autumn Statement

PUBLIC SECTOR BORROWING*

(£ billion)	1983-84	1984-85	1985-86
General government expenditure†	138½	148½	154
General government receipts	129½	140	148½
Implied fiscal adjustment‡	—	—	1½
General govt. borrowing requirement	10	9	7
Public Sector borrowing requirement (as percentage of GDP)	9 3¼	8½ 2½	7 2
Money GDP at market prices	306	327	353
Percentage increase	—	6.9	8

* Figures rounded to nearest £½bn. † In national accounts terms. ‡ On same assumption as in the 1984 MTFS about the PSBR as a proportion of GDP in 1985-86.

Source: Autumn Statement

THIS YEAR, NEXT YEAR, SOMETIME, NEVER . . .

By Malcolm Rutherford

"AN ESSENTIAL element of the Government's strategy will be a continuing and substantial reduction in the share of resources required for the public sector. It is also essential to reduce the Public Sector Borrowing Requirement in order to create monetary conditions which will encourage investment and secure sustained growth and the control of inflation."

That was not Mr Nigel Lawson, the Chancellor of the Exchequer, in his autumn statement to the House of Commons yesterday, though it could have been. It was Mr Denis Healey in his letter to the International Monetary Fund nearly a decade ago.

A great deal has changed since them. Yet what strikes the political observer is the slowness of the pace. Here we are, *ten years on, still talking* the language of the Wilson-Callaghan era, still uncertain whether success has been achieved or whetheh it is just around the corner—this year, next year, sometime, never?

No one can effectively accuse Mr Lawson of inconsistency. From the time that he was Financial Secretary to the Treasury in Mrs Thatcher's first administration, he has pursued his aims with unusual single-mindedness.

"Conservatism," he once wrote, "is the creed of original sin and the politics of imperfection—the bad in society is so intimately and unknowably linked with the rest that an intention to deal with one specific and agreed evil may well do more harm than good."

Economically his aims have been to reduce the rate of inflation—and to do so in particular through the medium-term financial strategy—and to curb the role of state intervention.

It would be hard to argue that he has failed in either. Time and again, it has been predicted that inflation will be on another rising curve. The predictions were wrong. Equally, it has been said that his pursuit of privatisations would come to a sticky end. The sale of Amersham, Britoil and Enterprise Oil all had their problems, but they all went ahead. Today the privatisation programme is more entrenched than ever. Where Sir Geoffrey Howe, his predecessor at the Treasury, sometimes seemed to plod, Mr Lawson sometimes begins to march.

Probably he is right again about the underlying trend of economic growth. The suggestions that it is already falling off have not yet been proved to be true, despite the miners' strike. Investment has risen *quite sharply, partly due to the* tax changes in his first budget.

He may well be right about the promise of tax cuts. After all, he has staked part of his reputation to bringing them about, though he has always been rather more cautious about the timing, the method and the amount.

Personally he has been consistant, too. He has never been one for the market place (except for market economics). He refuses to go out and sell himself. One thought after his poor performance at the Conservative Party Conference last year that he would learn his lesson and never do it again. Yet he was just as bad in Brighton last month, and is not always much better in the House of Commons.

Yesterday's was a middling *performance, by his standards.* He must have had his private moment of enjoyment over the outcry at his decision to abolish the one pound note. Everyone present thought it was a story for the popular press in order to conceal some dreadful piece of economic news later. But it was not.

Yet if Mr Lawson is confident in going for the long haul, there are still problems. In his equivalent speech last year, for example, he said: "Employment appears now to be rising, *and unemployment* to be leveling off." The second half of that statement turned out to be manifestly wrong.

This year he was slightly — but only slightly — more reticent. "The numbers in work," he said, "Are rising strongly for only the third time since the 1960s" Yet it was noticable that any hopes of a fall in unemployment were dependent on further cuts in interest *rates. Mrs Thatcher's Government* has been down that route before, only to be blown off course.

One's own guess is that the Chancellor will go on much as before with the Prime Minister's full support, if only because the leopards do not change their spots. But there does begin to be a time factor. It is impossible to get away for ever with saying that unemployment will shortly begin to come down, or at least level of, if plainly it does not.

There is that story about the *emperor who had no clothes* which, as much as anything is about psychology. The emperor had no clothes before. It was only when the people realised it that the mood began to change.

The mood may be changing now, not least on the Tory backbenches. That is way the time factor matters. Mr Lawson understands as well as anyone how much economic per*formance depends on people's* expectations. He has got most of it right, but unemployment is a very big gap

Men and Matters

Finland breaks the ice

This is turning out to be a week to remeber for Martin Saarikangas, *aged 47*, a tall, *tough* Finnish shipbuilder with a booming voice who looks the type to knock together a vessel with his own hands.

Wartsila, whose Helsinki shipyard he runs, yesterday announced two massive orders from Russia for nuclear-powered icebreakers worth some $320m.

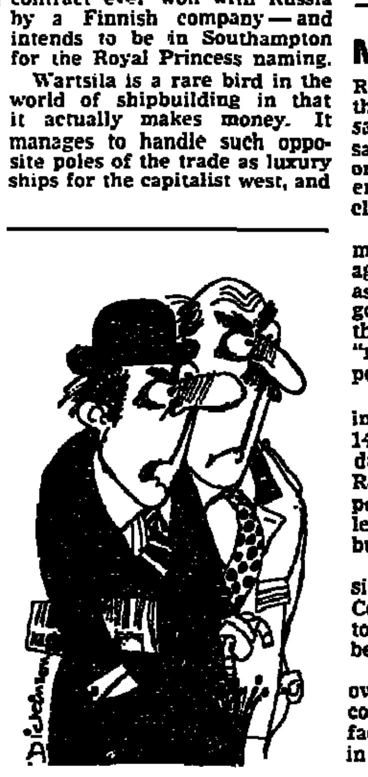
And on Thursday, the $150m Royal Princess cruise liner, built by Wartsila for P & O, and setting a new standard for cruise ships, will be formally named by the Princess of Wales.

Saarikangas, a former top ice hockey player, turned up in Moscow for the signing of the icebreaker deal — the largest contract ever won with Russia by a Finnish company — and intends to be in Southampton for the Royal Princess naming.

Wartsila is a rare bird in the world of shipbuilding in that it actually makes money. It manages to handle such opposite poles of the trade as luxury ships for the capitalist west, and icebreakers for the east, by heavy emphasis upon planning and modern construction techniques.

Saarikangas says he is just as pleased to build a working ship as a cruise vessel. But he does admit that the departure of the Royal Princess from Helsinki for the UK—before going on to be permanently based in the U.S. "left a bigger hole in my heart than any other *ship before.*"

Saarikangas has been to Russia 30 times in pursuit of the icebreaker orders. He plans to take a little time off, cruising on the Royal Princess's *first* trip through the Panama Canal.



"By the time you've bought a new wallet and had your trouser pockets strenghtened . . ."

Maggie money

Replacing the pound note by the 18-month-old pound coin to *save money may not be the* sacrifice of traditional values on the altar of Treasury expediency that some are already claiming.

The pound note itself only made an appearance 70 years ago on the eve of World War I as a substitute for the popular gold sovereign. Traditionalists then were heard to scoff at "mere paper" being worth a pound in gold.

The first pound coin was introduced under Henry VII in 1489 and it rose to prominence during the Civil War when Royalists, camped in Oxford, periodically melted down college silver to mint their own bulky currency.

Still, it is only 11 months since Mrs Thatcher assured the Commons: "I have every reason to believe that the £1 note will be retained."

She is said to have been won over to the merits of the £1 coin, perhaps above all by the fact that it will save £3m a year in public expenditure.

And she does not appear to have any worries about the coin becoming popularly known by the nickname instantly coined by wags on its first appearance —the "Maggie" because it is "hard, rough at the edges, and thinks it's a sovereign."

China guide

"China has already attracted around $8bn worth of investment since 1979. We should get at least that again over the next few years," says Jing Shuping, president of the Peking-based *China International Economic* Consultants.

Silver-haired Jing, a pre-1949 graduate of St John's College, Shanghai, is doing his bit to help. He *is* in London for a week for Longman's launch of the 600-page China Investment Guide 1984/85—an impressive collection of facts, figures and even maps.

Ten thousand English copies are destined for international circulation and many of the *5,000 Chinese copies for China,* to help less experienced organisations fathom their own bureaucracy.

Jing's outfit provided the material and Longman's printed it in Hong Kong. "The idea wasn't mooted till the end of 1983," says Longman's managing director, Julian Platt. "It was a remarkable co-operative exercise. We signed the agreement in April and met Mr Jing's deadline—an October conference in Peking."

Jing and a colleague, Dr Gu Xiancheng, manager of the Bank of China in London in the 1940s (and an old friend of Chinese cooking guru Kenneth Lo), will be among the speakers this week at a conference on investing in China sponsored by Lloyds Bank International and the California-based Kowin China Investments.

Jing will be having talks with Mrs Thatcher and Peter Walker, Energy Secretary, at 10 Downing Street this morning.

Johnson cabled

Paul Johnson, the red-haired standard bearer of free enterprise who used to edit the left-wing New Statesman before his conversion, has accepted an active role in the communications business.

He has joined the government's latest quango, the Cable Authority, which has been invented to regulate the cable television revolution—if ever that takes place.

Johnson has been writing enthusiastic articles about cable-based upon his observations of the phenomenon in the United States.

He says that cable will be a liberating influence and an extension of democratic choice. The present broadcasting duopoly, he argues, has become stuck in the mud.

"If you go into a bookshop there are 10,000 titles available. The technology exists to offer something approaching the diversity of book publishing on the television screen."

Unfortunately, Johnson will not be able to give much time to the Cable Authority in the near future. He is off to Africa, Australia, and the U.S., to research a new book. Apparently *Leon Brittan, the Home Secretary,* knew of Johnson's global commitments before giving him the job—but appointed him nonetheless.

Cover story

The Royal Ordnance Factories, bomb and bullet makers to the Crown and assorted sheiks, seem to be seeking a more peaceable image as they advance towards a stock market flotation.

Last year's annual report had a beefy Challenger tank thundering across the cover and pictures of bombs, bullets and guns inside to back their claim to make "a wide range of defence equipment and munitions."

The latest report has a silver cover—no weapons, only a blood red logo *spelling* out Royal Ordnance in fading type. The word "munitions" has been scrubbed. The ROFs now make "a wide range of defence systems, sub-systems and components."

Observer

Paul Volcker's Fed

Quiet voice that echoes round the world

By Stewart Fleming in Washington

THE MAGAZINE U.S. News and World Report publishes each May a poll headlined Who runs America? which lists the people Americans see as the most powerful figures in U.S. public life.

For the past three years, immediately behind President Reagan in the No. 2 slot, has come the towering, rumpled cigar-chomping figure of Mr Paul Volcker, chairman of the Federal Reserve Board, the U.S. central bank.

As a symbol of the rehabilitation in the Fed's reputation since the dark days of the late 1970s when its credibility as a bulwark against inflation was in jeopardy, the prominence of Mr Volcker and the Fed is a source of discreet pride to the institution. But it is also a source of some worry.

"Every year people begin to get a bit nervous around here just before the poll is published," says one Fed official with a half smile. "They start worrying that perhaps Paul will come out on top."

There has, in reality, been no chance of that and Fed officials know it. But, some of them, asked to enumerate the challenges the central bank faces, put the succession to Mr Volcker firmly at the top of their list. His term of office expires in 1987. Nobody believes he is irreplaceable, but the fear is that critics, rivals

Pragmatic approach has angered senior officials

and enemies of the central bank in Congress and the Administration will seize the opportunity presented by the President's choice to try to bring the powerful central bank to heel.

The President will also be choosing replacements for two more of the Fed's seven governors, Mr Charles Partee, whose term expires on January 31 1986, and Professor Henry Wallich, who will have served his full 14-year term by 1988. One check on the President's nominees is that the Senate has to confirm the appointments. Another is the reaction of financial markets, which would not want to see the Fed's independence compromised.

Despite its legally independent status, the actual degree of independence has ebbed and flowed since it was created by Congress in 1913 and Mr Volcker is known to wish that both he and the central bank could retreat from the limelight.

But today the Fed—the Board in Washington and the 12 regional banks which make up "the system"—is at the centre of the world financial stage. And that has major implications for its prestige and also for the rivalries and jealousies aroused by its powerful position in Washington.

Senior administration officials, including Dr Beryl Sprinkel, the staunch monetarist at the U.S. Treasury, have been angered by Mr Volcker's highly pragmatic approach. "They have repeatedly tried to corner Volcker at his weekly breakfast meetings with Donald Regan (U.S. Treasury Secretary) even at the White House," says a senior Administration staff official. "But he never insults people or loses his cool. And he's a master of obfuscation, has great expertise and long experience in Washington. He just talks in circles, gives a little, but does not lose."

Mr Volcker's responsibilities would be awesome enough in what might be termed normal times. But for several years, with U.S. budget and tax policy paralysed, and monetarist economics in the ascendency, the Fed's monetary decisions have been the principal policy instrument governing the U.S. economy.

Simultaneously, partly as a result of the role the dollar plays in world trade and finance but also because of the instability in the U.S. and world economies, the Fed has been thrust into the position where almost all the monetary moves it makes, its bank regulatory decisions and even sometimes the tone of voice Mr Volcker adopts in his speeches and testimony in Congress, reverberate around the U.S. and around the world.

The tradition of a powerful leader at the Fed goes back to its earliest days when Mr Benjamin Strong, the president of the New York Fed—the most important of the 11 regional Fed banks—dominated the affairs of the system between 1914 and 1928.

But each chairman has to establish his own authority. "The Fed is not an institution in which power exists, it is influence. You persuade the other 11 members of the FOMC (the key monetary policy-making Federal Open Market Committee) by the power of your intellect and your ability to master and present your arguments, not by how loud you shout," says a former senior official.

The FOMC meets eight times a year and sets the Fed's monetary policy. Its membership includes the chairman, the other six governors, and five reserve bank presidents.

Each new chairman brings a fresh tone to the FOMC's policy debates. Dr Arthur Burns, now Washington's ambassador in Bonn who was Fed chairman from 1971-78, while a formidable intellectual and persuader, used the sharp edge of his tongue to help to carry his colleagues with him. "I used to be afraid of him," one governor confessed.

Dr Burns's successor, Mr G. William Miller, earned the respect of some top Fed staff members as a quick learner. But he had no time for the collegial debates about the intricacies of monetary policy, even reportedly introducing an egg-timer into the boardroom to the horror of some of his colleagues. He also found himself on the wrong side of a narrow FOMC vote, an event which, combined with the mounting economic problems at the end of the 1970s, helped to undermine his stature in the Fed and the financial markets.

Glyn Genin

Paul Volcker, the Federal Reserve's chairman

Associates say Mr Volcker enjoys wrestling with problems intellectually to the point where he is sometimes accused of being a prevaricator. "He would be no good in the private sector," says a Washington economic policy official who has known him for many years.

In spite of the prestige he has built up within the Fed, partly as a result of the bold and successful shift in monetary policy he pushed through in 1979, even Mr Volcker must work to carry his colleagues with him. In May 1983 he barely escaped a tied vote in the FOMC when he pressed for an early move to tighten monetary policy in the current economic recovery.

Consciousness of the potential influence of individual governors helps to explain why Wall Street economists who follow the Fed carefully analyse the published voting record of the eight FOMC meetings each year for clues as to the direction in which Fed policy is leaning.

They watch whether a particular governor's votes in FOMC fit what is known of his economic views. Governor Henry Wallich, the former Yale University professor who travels the world for the Fed attending, for example, the monthly Bank for International Settlements' meetings of central bankers in Basle, is seen as a hard-line inflation fighter. What might appear to be a break in that pattern would be noted on Wall Street.

It is not just the governors who are seen as powerful figures in their own right, but also the senior staff, such as Mr Steve Axilrod, the top staff man in Washington on economic and monetary policy, and Mr Peter Sternlight, his opposite number in New York, who is in charge of the Fed's day-to-day intervention in the money markets.

During Mr Volcker's tenure, the pressure of events and his own predisposition to surround himself with a small group of trusted advisers has also left its mark on the Fed. Mr Gerald Corrigan, who shares Mr Volcker's rumpled appearance and subtle mind but has a reputation as a tough negotiator to boot, has emerged as the chairman's alter ego in crisis management. In January he takes over from Mr Anthony Solomon as president of the New York Fed, where he will command a permanent seat on the FOMC, something Mr Volcker no doubt welcomes.

The Third World debt crisis has led to an expansion in the staff and the economic research the Fed does in country analysis. It must now liaise more with other Government departments, especially the Treasury, but also the State Department and with the International Monetary Fund and the commercial banks. Thus the workload of Mr Ted Truman, the head of the Fed's international department, general counsel Mr Mike Bradfield and officials at the New York Fed such as Mr Solomon and Mr Sam Cross has grown in an area of great political and diplomatic, as well as economic significance.

It is not only with the Administration, the banks and the financial markets that the Fed must keep its lines of communication open. The Congress created the Fed, has changed its structure once (in 1935 following its lamentable performance in the depression years) and could in theory abolish it at a stroke. Congress, and the fact that politicians are often content not to be blamed for unpopular decisions are the foundations on which the Fed's independence is built.

Mr Jack Kemp, a prominent Republican congressman tipped to be a presidential runner in 1988, is the latest in a line of populist critics of the Fed. He is proposing legislation which would trim the central bank's sails by, for example, making the Treasury Secretary once again an ex-officio member of the FOMC, requiring immediate publication of monetary policy decisions, and cutting from 14 to seven years the tenure of governors.

The Fed has also been in a running battle with Administration officials over laws to deregulate banking, and is determined to retain the commercial bank regulatory functions it deems so crucial to its overall performance.

How the Fed, and in particular Mr Volcker, handles itself in its dealings with Congress is therefore a vital element in its long-term future. Mr Volcker's skill in handling Congress has

Collegial debates on the intricacies of monetary policy

so far served the central bank well. "He's a good politician without trying to be," says one former colleague. "He will not tell you anything different from what he is telling Congress. There is no hidden private agenda."

There is equally, however, no doubt that the Fed is well aware of its dependence on public support for the tough policy decisions it has had to make and may have to make in the future if, as many officials fear, the strong economic recovery and the strong dollar, turn out to be merely a temporary calm before huge budget and current account deficits create a storm in the financial markets.

"Fed governors are middle class American folks, not gods. They cannot hew to a line at variance with public opinion. There has to be a broad base of political support to make monetary policy work," says Dr Neil Kilsoss, a former personal assistant to Mr Volcker. Many economists feel that it was the lack of that support that crucially weakened the Fed's ability to fight inflation in the 1970s but strengthened it in the opening years of the 1980s.

Lombard

An Anglo-French energy link

By David Fishlock

EUPHORIA over the good progress being made in linking the electricity systems of Britain and France beneath the Channel cannot disguise the fact that it could prove a commercial and political embarrassment to Britain. The connection comes into service next year.

The cross-Channel connection was envisaged as a two-way valve responding rapidly to opportunities for each country to sell surplus power profitably to the other. It was justified by differences in the daily pattern and timing of peak demand. For £350m, the connection will make available 2,000 Mw at a fraction of the cost of a new power station.

Despite the opportunities afforded by two public inquiries into the siting of the British end of the connection, neither unions nor the electricity plant manufacturing industry raised a voice against the project. For Britain it seemed a golden opportunity to export more coal. Coal-by-wire was the catch-phrase.

Much has happened in the past three years since the two governments endorsed the project. The French resolution of 1972 to abandon imported oil and put its faith in nuclear power has begun to pay off. France now gets 55 per cent of its electricity from nuclear energy.

The French have brought a nuclear reactor into operation every three months since 1977, a total of more than 30 so far.

At first their performance was not impressive—although certainly better than Britain was achieving initially from its seven new reactors in the same period. But the French have learned a lot and nuclear performance today is high—75 per cent of capacity for the first half of this year.

As a result, the French say, their electricity is cheap—one-third less than the price to industry in Britain—and it will get cheaper. They have to convince customers—potential new ones especially—that this will remain so once nuclear electricity dominates the French system. But the chemical industry in Britain, for instance, is already sufficiently impressed to talk about relocating electricity-consuming operations in France.

Where does this leave the cross-Channel connection? This is a joint venture between Western Europe's two biggest electricity systems, those of Electricité de France and the Central Electricity Generating Board. It is being managed as a technical competition, with each side responsible for its own terminal and for half the cable buried in the seabed.

But when in operation, initially next autumn and at its full rating late in 1986, it will operate as one system, transmitting power in whichever direction seems most advantageous at any moment, without significantly increasing the cost.

The question this raises is whether there will be any times when Britain can sell substantial amounts of electricity profitably to France. Part of the case for the connection is security of supply, and presumably if EdF run into the kind of supply problems afflicting the CEGB at present, Britain would be only too willing to help out.

But another part of the case for the connection was that the transfer of power, while continuing at a high capacity and profitably for each partner, would over a period be roughly in balance. However, there is nothing in the Anglo-French agreement to say that they must balance.

With French electricity costs falling—they have just undertaken to cut prices 4 to 5 per cent—and British electricity costs certain to rise as a result of its dependence on coal and (in the short term) on oil, the opportunities for selling France electricity, except in emergency, seem to be dwindling rapidly.

None of this argument negates the long-term logic of having such a connection for the mutual security of the national electricity systems. But in the short-term, far from selling coal-by-wire, Britain may find itself importing all the power it can buy.

How ironic if, before the decade is out, Britain should find itself in the politically tricky position of having to import as much French electricity as possible in order to dissuade its own industry from moving abroad.

Letters to the Editor

The closure of collieries

From Mr Blackburn

Sir,—I was astounded by Mr Hallwood's pronouncements (November 6) concerning the closure of collieries on narrow economic criteria, when the arguments against this have been convincingly well demonstrated. Furthermore, the carefully selected case of Cortonwood demonstrated the simplistic and distorted nature of such criteria.

The effects of closure on local industry linkages and infrastructure, together with the unemployment and other state benefits paid to displaced employees in these dependent industries must be taken into account. This will escalate the cost of closure.

It was argued that the cost of keeping the colliery open over 15 years at current rates of loss per ton would amount to around £22.4m, while the cost of closure would amount to £8.2m over two years in lost tax revenue and state benefits to unemployed miners.

Even if we accept these figures, the assumptions behind comparing 15 years with two years are very dubious. Are we to assume that benefits for all unemployed miners in the area will cease after two years and they become destitute? To assume that ex-miners will find alternative employment in that time period reveals an acute failure to realise the gravity of the situation in the areas concerned. The high unemployment rates, narrow industrial base, the environmental drabness of the older mining areas are well documented facts that are conviently ignored by the pro-closure lobby.

This lobby also fails to grasp, *inter alia*, the positive relationship between economically recoverable reserves and energy prices which was well demonstrated in the last decade together with a switch from uncertain external to safe internal sources of energy.

Only when these broader realities are perceived by the public and "decision makers" can we then begin to tackle the root causes of the current strike. This will of course, necessitate intervention to broaden the industrial base of these areas while the collieries are still in operation, rather than rushing through palliatives after closure. This would indeed be a most vital exercise for all concerned, because the problems behind the current dispute will not end with a negotiated or any other type of settlement.

It is these facts that need to be disseminated in order to understand the present dispute and to lend support to the striking miners who are not prepared to be industrial nomads or permanently unemployed.

R. A. Blackburn.
12, Albert Road, Parkstone, Poole, Dorset.

Interest rate on mortgages

From Mr S. Barber

Sir,—I read with interest the Lombard column (November 6) concerning rates of interest charged by building societies.

Surely, now that the *building society* "movement" wishes to be allowed to compete with banks and to act as competitive financial institutions, they should be subject to the same rules that apply to other financial institutions.

One of the most glaring omissions at present is the lack of a requirement for building societies to disclose the true annual interest rate charged on mortgages (the APR). Disclosure of the APR would show that building society mortgages are not the bargain that one may believe and in later years they are positively usurious. The practice of charging annual interest on the opening balance as opposed to the reducing balance is of great benefit to the building societies but the borrower should be aware of what he or she is actually paying.

S. D. Barber.
19 Highpoint, North Hill, N6.

Reforming the rates

From Mr J. Hatherley

Sir — Mr Alexander P. Galea (October 31) is correct in suggesting that rateable values should be based on total square footage of land occupied, including surrounds. Time was when this principle was well understood in this country. In 1906 Glasgow City Council, with the support of no fewer than 518 local authorities, presented a petition to Parliament to allow local authorities to levy rates according to this principle.

Cities in the Anglo-Celtic parts of the Empire adopted it, and where they did, to this day they do not suffer inner city decay, unoccupied land there being usually also rated so as to encourage development.

There are other benefits. After the first Whitstable survey in 1964, it was calculated that were the idea to be applied in Britain nationally, domestic rates for houses would decline by 27 per cent (consistent with the 25 per cent that resulted in Pittsburg), flats and maisonettes rates by 49 per cent, those for bungalows by 30 per cent, and for factories and workshops by 36 per cent, while shop and hotel rates would rise by 2 per cent (and unoccupied land would contribute). Shops and hotels need not worry — they would benefit from the increase in purchasing power in domestic ratepayers' pockets. One need not emphasise the redistribution of wealth and spending pattern changes that would also occur.

When will our purblind city fathers look overseas, to cities such as Sydney, Wellington, Johannesburg, Pittsburg and five in Pennsylvania?

John Hatherley.
16, Brighton Road, Coulsdon, Surrey.

The metropolitan counties

From the Leader, West Yorkshire Metropolitan County Council

Sir,—While I thought that Hazel Duffy's article "West Yorkshire puts the case for the metropolitan counties" (November 6) was a very fair and considered piece of journalism there is one comment in the article attributed to me, "that joint boards could solve a lot of problems," that I should like to set in context.

At present the Government is proposing, in its plan to abolish the metropolitan county councils, to set up Whitehall-controlled joint boards to administer local fire, police, and public transport services. Creating these boards is, of course, a recognition by the Government that there are services that should be run across an entire conurbation rather than across small wedges of that conurbation.

Waste disposal is a service which, together with minerals planning and land reclamation, should I believe be run conurbation-wide. Past experience of inter-authority working, and present experience of problems faced in dealing with major environmental problems leads me inevitably to the conclusion that the service should not be split up between 36 metropolitan district councils.

Obviously, a joint board for minerals planning, waste disposal and land reclamation would be preferable to a fragmented service run by warring metropolitan district councils. Equally obviously the existing metropolitan county councils commended by Coopers and Lybrand Associates as being "... leaders in the technology of the service," would be a more cost-effective solution than a welter of joint boards.

(Councillor) John Gunnell,
County Hall, Wakefield.

Spending for London

From the Director of Information, Greater London Enterprise Board

Sir, — Mr D. G. Franklin (November 7) challenges figures produced by Greater London Enterprise Board showing that it is creating and preserving jobs in London at a lower cost than that of keeping workers unemployed for a year.

The direct investment cost of each job created or preserved by GLEB is now under £4,500. *Greater London Council's recent* advertisement has compared this with the Treasury's figure of £7,500 for the cost of keeping a couple on average earnings with two children unemployed for a year.

If Mr Franklin prefers, we can compare GLEB's costs with the Treasury figure for the average cost for all unemployed which, as he points out, is £5,000. In either case, GLEB has shown that the Government's policy of keeping people unemployed is more costly to public funds than GLC/GLEB policy of putting them to work.

All this is without even taking account of the "multiplier effect" of unemployment in losing further jobs "downstream" as the spending of those put out of work is cut; nor of the social costs of unemployment, including illness, crime and other symptoms of decay.

Mr Franklin is right to point out that direct investments in enterprises took up only some £8m of the £31.6m allocated in the year ending March 31, as reported to the GLC on July 26. Of the remaining £22.6m, some £17m, according to that report, was allocated to 35 property projects, which will house around 4,000 jobs, and provide employment in the building industry equivalent to a year's work for 2,500 operatives.

A further £3m was allocated to five technology networks — trail-blazing community-based technology transfer institutions, harnessing the scientific and technological expertise of London's academic and medical centres, to develop products and services for viable new enterprises.

The remaining £2.6m went on overheads — which compares very well with such bodies as the Scottish and Welsh development agencies or the London Docklands Development Corporation.

John Palmer.
63-67, Newington Causeway, SE1.

FINANCIAL TIMES

Tuesday November 13 1984

WEST GERMAN LEADER OVERHAULS OFFICE IN BID TO END QUARRELS AND ACCIDENTS

Kohl replaces Chancellery head

BY RUPERT CORNWELL IN BONN

WEST GERMAN Chancellor Herr Helmut Kohl yesterday formally unveiled a sweeping overhaul of his office, with one overriding goal in mind: to ensure that his Government is a great deal less quarrelsome and accident-prone in future.

As expected, the key change is the appointment of Herr Wolfgang Schäuble, only 42 but already a success as floor leader (roughly chief whip) for Herr Kohl's Christian Democrats (CDU) in the Bundestag, as Minister at the Chancellery.

As such, he will replace State Secretary Herr Waldemar Schreckenberger as the closest and most influential adviser to the Chancellor, with responsibility for co-ordinating policy and for solving potentially damaging disputes between federal government departments.

Herr Schreckenberger, a friend and confidant of Herr Kohl from schooldays, is paying the price with his unmistakable demotion for the mishaps which, with increasing frequency, the three-party coalition has experienced and for which he, rightly or wrongly, is blamed.

Herr Schreckenberger has often been portrayed as the symbol of the Chancellor's alleged preference for taking advice only from old and trusted friends. Still less flatteringly, he has been described as a "Bermuda Triangle" for Herr Kohl's office, into which the processes of policymaking have vanished.

Herr Schäuble, who is recognised as a tireless worker and a swift decision-taker, will now assume these tasks. Moreover, with a seat in the cabinet, it is hoped that he will have greater power to arbitrate between feuding ministries.

Despite the reorganisation, Herr Schreckenberger will keep responsibility for the sensitive areas of EEC and media policy and will supervise the West German intelligence agencies.

Herr Schäuble, however, is taking over the key negotiation role with East Germany. The brief had previously been handled by Dr Philipp Jenninger until his nomination as new president, or speaker, of the Bundestag. Herr Schäuble is expected to make his debut visit to East Berlin this week.

Herr Kohl clearly believes that the changeover will have the desired effect and yesterday ruled out any further Cabinet reshuffle for the time being.

Whether his optimism is justified is an open question. Two previous chancellors have experimented with a Cabinet minister as their closest official adviser, with only mixed results.

One favourable omen was the reaction of the Bavarian leader Herr Franz Josef Strauss, Herr Kohl's eternal rival. Although he pointedly observed that his Christian Social Union (CSU) party needed someone to talk to in the Chancellery, "above all when Herr Kohl isn't there," he made clear that he would not seek compensation for the appointment of an extra minister from the CDU.

The Chancellor was quick to insist yesterday, however, that Herr Schäuble would not be a "superminister" – still less a *de facto* vice-Chancellor, a title officially held by Herr Hans-Dietrich Genscher, the Foreign Minister.

All change as paper pound is folded

By Andrew Arends in London

THE POUND note, once the backbone of Britain's currency, has become too limp to be seen in public. From January next year the Bank of England will issue only £1 coins and the note – already reduced in size in the 1970s – will disappear.

Its withdrawal, according to Mr Nigel Lawson, Chancellor of the Exchequer, will save the Treasury £3m ($3.75m) in printing costs next year alone.

The move has been made because the pound notes in circulation have been deteriorating rapidly. Mr Ian Stewart, Economic Secretary to the Treasury, said that because of the erosion of its real value during the 1970s, the pound note was now frequently treated as "little more than loose change" and was being stuffed in people's pockets and generally mistreated.

He added that pound notes now had to be replaced every 10 months, compared with an expected life for pound coins of 40 years.

The major UK banks last night welcomed the move. Poor quality pound notes were becoming more difficult to handle, they said.

The note's withdrawal nevertheless comes as a surprise. Earlier this year even Mrs Margaret Thatcher, the British Prime Minister, had weighed in on behalf of the "traditional" pound note which, she told Parliament, would remain indefinitely. It seems the savings generated by switching to the new coins helped convince her that the change should be made.

Equally convincing may have been the persuasive talents of Mr Stewart, a knowledgeable numismatist, who will have pointed out to the Prime Minister that the pound note was a relatively modern invention, having been introduced in 1914, whereas the pound coin, in one form or another, has been around since the 15th century.

But a number of members of parliament were outraged at the news of the pound note's demise. Sir Brandon Rhys Williams, MP for Kensington, described the £1 coin yesterday as "a horrid little button," and Mr John Stokes, MP for Halesowen and Stourbridge, in the Midlands, said the coin was "highly unpopular." He added: "We must try and maintain the value of our notes."

Mr Stewart said yesterday that there were 560m pound notes in circulation and around 180m pound coins. He claimed that the new coin was growing increasingly more popular and that the blind found the coin particularly useful.

He added that although each pound coin cost 2.5 pence to mint, compared with 1.5 pence for a note, the longer life of the coin would generate large savings. He added that, as more people got used to the coin, it would become more acceptable.

UK brokers applaud tax plans but wary of spending targets

BY PHILIP STEPHENS IN LONDON

THE British autumn economic statement drew a cautious welcome from UK financial markets last night despite considerable scepticism over whether the Chancellor of the Exchequer will be able to meet his public spending targets for 1985-86.

The snap judgment of a number of brokers' economists was that Mr Nigel Lawson will probably be able to cut taxes by more than £1.5bn ($1.9bn) in his next budget, while announcing a borrowing target of only £7bn for 1985-86.

With U.S. interest rates falling, some of the reduction in borrowing costs forecast by Mr Lawson for the UK could well be seen in the next few weeks.

Equity and government security prices showed further strong gains yesterday as London's financial markets anticipated a ½ point cut in Britain's base lending rates from the present 10 per cent.

The rates were reduced by ½ point last week, but London economists believe that the Government will be seeking a further cut to coincide with the flotation of British Telecom at the end of this month.

London brokers' confidence over the short-term outlook, however, was tempered by the belief that Mr Lawson may have been over-optimistic about the prospects for government spending and revenues next year.

Dr Paul Neild of Phillips & Drew said that the Chancellor's assumptions gave no leeway for "things to go wrong." The forecast for oil revenues looked over-optimistic, while the Treasury had clearly used a number of "fudges" to keep its spending projections on target, Dr Neild said.

At Simon & Coates, Mr Gavin Davis said the statement showed clearly that tax cuts had become the central political imperative of the Government's economic strategy.

That meant that the Chancellor would probably announce reductions totalling more than £1.5bn in next year's budget, although there would be no significant relaxation of the Government's anti-inflation strategy.

Mr Michael Osborne of Grieveson Grant said that Mr Lawson had "taken public spending assumptions to their optimistic extreme."

Local authority outlays, social security and unemployment benefits and spending by the nationalised industries could all show overruns next year, he said.

That view was echoed by Mr Malcolm Roberts of Laing & Cruickshank. The "expected fudge" on the public spending totals would allow the Chancellor to announce a £7bn borrowing figures for 1985-86, but "whether or not he achieves it is another matter," he said.

With sterling recovering on foreign exchange markets and further indications of a break in the miners' strike, however, such concerns seem unlikely to hinder a cut in base rates, the economists believe.

"The markets will give him (Mr Lawson) the benefit of the doubt, and in the short-term it should be plain sailing," Mr Roberts said.

Peter Riddell, Political Editor, writes: Mr Lawson's statement was given a cool reception in the House of Commons. The strong criticism by MPs of the opposition Labour Party and of the Social Democrat/Liberal Alliance was matched by a generally subdued response from backbench members of the ruling Conservatives.

During yesterday's exchanges Mr Lawson came under pressure from both sides of the house over the Government's plans for overseas aid, on which he was unforthcoming, and over his response to unemployment.

Mr Roy Hattersley, Labour's Shadow Chancellor, accused the Government of pursuing "a carefully planned and callously calculated policy requiring a permanent pool of 3m unemployed." He argued that the £1.5bn estimated to be available for tax cuts next year should be allocated directly for public sector projects.

Similarly, Dr David Owen, leader of the Social Democrats, complained that Mr Lawson's intention seemed to be to introduce further tax cuts to help those in jobs, giving the major benefit to those on high incomes. Dr Owen said that any available resources should be used "to provide jobs, particularly through capital spending, and to reduce employers' costs to encourage them to take on more people.

Most of the prominent Conservative "wets," former ministers who are critical of Mr Lawson's strategy, were either absent from the Commons or silent yesterday.

During her speech at the Lord Mayor of London's banquet last night, the Prime Minister sought to play down suggestions of large disagreements between the Treasury and spending ministers, leading up to the statement.

She conceded that there had been a debate about priorities, but "when I looked around the Cabinet table last Thursday as we brought the annual spending round to a conclusion, I saw ministers regarding themselves not only as heads of department but also as members of a Cabinet united behind a single strategy – a strategy of keeping public expenditure under control so that, as befits a free society, people may keep more earned money to spend or save as they choose."

Mrs Thatcher also repeated her appeal to the re-elected Reagan Administration in the U.S. to give urgent attention to reducing its budget deficit. This would help to bring lower interest rates in the U.S.

Continued British growth

Continued from Page 1

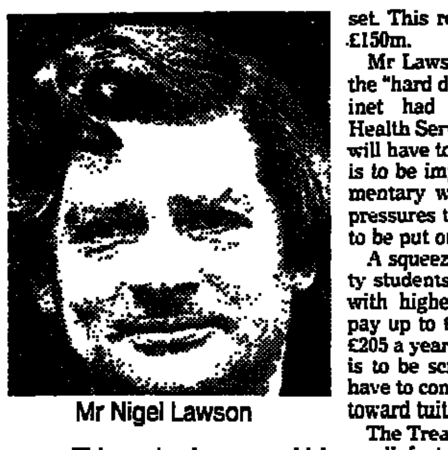
ing school leavers, in the UK, apart from Northern Ireland, for this year and in 1985. The last published total, for October, was 3.1m for UK, 2.97m excluding Northern Ireland.

The autumn statement shows that Mr Lawson has been forced to explore every cranny of the public sector for possible savings, including phasing-out the pound note

This will save £3m next year, which is only 0.002 of a per cent of the total planned public spending of £132bn for 1985–86 announced by Mr Lawson yesterday.

More substantial contributions will come from the foreign and overseas aid budget, from reduced borrowing by nationalised industries and a tight squeeze on health, education and other services.

The Foreign and Commonwealth Office budget of £1.87bn represents a cut of about ½ per cent in real terms. This service, however, which includes £1.1bn in overseas aid, will have to absorb an additional squeeze from the 8 per cent depreciation of sterling from the average of last year, when the plans were set. This represents a "real" cut of £150m.



Mr Nigel Lawson

Mr Lawson told MPs that among the "hard decisions" taken, the Cabinet had agreed that: National Health Service prescription charges will have to rise, and that a squeeze is to be imposed on certain supplementary welfare benefits. Further pressures to increase efficiency are to be put on the health service.

A squeeze on grants for university students will mean that parents with higher incomes will have to pay up to £725 more per year. The £205 a year minimum student grant is to be scrapped and parents will have to contribute up to £520 a year toward tuition fees.

The Treasury also confirmed in a small footnote to the 30-page autumn statement that pay rises for public serivice workers, including those in the central and local government and the health service, are to be limited to 3 per cent this year.

French bankers warned of dearer credit

By David Marsh in Paris

M RENAUD de la Geniere, the Governor of the Bank of France, has warned leading French bankers that they could face "rarer and dearer credit" next year after the phasing out at the end of 1984 of the 12-year old encadrement (credit control) system of administered loan ceilings.

M de la Geniere's remarks, in a private meeting with about 15 bankers, at which he was accompanied by Mr Daniel Lebegue, the director of the French Treasury, underline differences of emphasis between the central bank and the Finance Ministry about the effects of the ending of the encadrement.

Officials say there is broad agreement between the Bank of France and the Ministry that credit will need to remain tight next year in line with the reduced 4 to 6 per cent target for money supply growth announced for 1985 by M Pierre Beregovoy, the Finance Minister.

M de la Geniere, who is facing a crucial period of decision on his future as governor of the Bank of France, is taking a significantly tougher line on prospective interest rate trends, however. This is mainly because of the need to protect the franc against possible decline against the D-Mark within the European Monetary System (EMS).

M Beregovoy, on the other hand, has presented the decision at the end of last month to end the encadrement system as a means of bolstering banking competition, which should pave the way for cuts in interest rates to help the sluggish economy.

In particular, the Bank of France believes the Finance Ministry's assumptions of average interest rates next year of 8.5 per cent on the money market and 11 per cent on the bond market could be unrealistic.

Bankers believe that the new system of obligatory reserves on bank credits, to come into effect on January 1, could put considerable strains on their potential to expand loans.

This could be acute if loan demand from companies – which has been very sluggish this year – starts to pick up again towards the end of 1985.

According to a senior banker among those meeting M de la Geniere and M Lebegue, the Governor did not attempt to contradict this view. He also underlined that the central bank, traditionally subservient to the Finance Ministry, would play a predominant role in enforcing tight credit.

The monetarist-leaning M de la Geniere, who has kept a low profile in helping to swing the Socialist Government towards economic orthodoxy over the last three years, was appointed to a five-year term under the previous right-wing administration in November 1979.

The present Government is not trying to tie M de la Geniere to this five-year mandate. The Governor is, however, pondering his future in the light of the expiry of the five-year "term" in mid-November. Some observers believe he is deliberately trying to consolidate his position, to strengthen the Bank of France's general role in monetary decision-making and to improve his image – especially with the right-wing opposition – should he decide to leave office.

Bank of France scepticism over the pace of interest rate reductions has been borne out by last week's sharp rise in yields on the domestic bond market. This followed a two-month period of rapid falls in yields – sparked off, above all, by heavy speculative buying by investment funds and corporate treasurers.

A rescue operation of bond purchases by the Caisse des Depots Finance group and four major banks stemmed the shake-out on Friday.

The Bank of France has pointedly left its money market intervention rate unchanged at 11 per cent over this period of bond market turmoil, to try to steady nerves.

Mitterrand plea on violence, Page 3

THE LEX COLUMN

Mr Lawson counts the change

The City of London's reluctance to believe in the routine nature of autumn statements dies hard. Yesterday the rumour mills were still grinding out grains of possible fiscal novelty – the hoary tale of an attack on pensions among them – only to be disappointed by the Chancellor's almost complete adherence to his narrow duty of giving economic forecasts and estimates of spending.

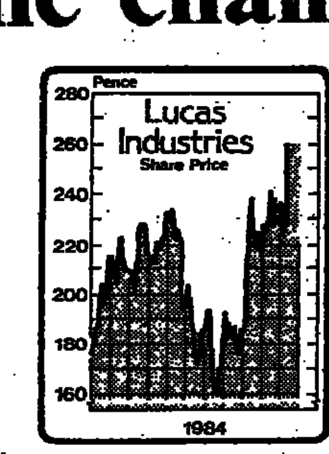
Not that this lack of excitement went down badly in the markets. So far as gilt-edged traders are concerned, evidence of stable policy – more or less on the rails of the MTFS – seems clearly preferable to change. From that point of view, with reasonably optimistic figures having been leaked in advance, the most important thing was that the public borrowing calculations should not appear too blatantly fudged in the cause of leaving room for the expected indications of tax cuts.

Mr Lawson employed the usual methods to achieve this. Asset sales of various kinds will of course be higher, and the contingency reserve larger, than previously advertised. Revenue assumptions – particularly where the oil price is concerned – look on the generous side. It might be awkward for the Chancellor if the dollar slid rapidly next spring, from beneath a stable dollar price for North Sea crude.

For the present, Mr Lawson has probably done an effective job of steadying the market. Abolition of the halfpenny and the pound note should have little inflationary potential, although the authorities will presumably take care to avoid any misleading swings in M0. It may be more difficult to protect the monetary base from the expansionary effect of replacing forged £20 notes with the new authentic variety.

Barlow Rand

The full-year figures to end-September from Barlow Rand illustrate starkly the fact that even South Africa's biggest industrial company has little defence against hard times in its domestic economy. Pre-tax profits are up 8 per cent at R797m, but earnings per share – despite a 10 per cent increase at the halfway stage – are static for the year overall. For the current year, there is evidently little prospect of last year's second-half downturn reversing itself.



The figures, of course, look a good deal worse again on sterling translation and pose a delicate question for holders of the 10 per cent of J. Bibby shares still quoted on the London market. For as long as the South African economy remains on its back, there seems little prospect of the reserve bank further relaxing its rules on the export of capital. That underlines the role of Bibby – Barlow's expensively purchased window on the world – as a vehicle for further expansion overseas. The mysterious resilience of the Bibby share price is presumably a vote of confidence in the continued ability of Bibby's management to control the use of its own paper.

Lucas Industries

It is not every day that the pace of industrial change in the West Midlands manages to catch the City of London on the hop. Admittedly, yesterday's 31p jump in Lucas's shares to 260p follows years of market disaffection nor have the shares exactly exemplified the glories of efficient market theory in 1984, collapsing for no apparent reason in the summer and racing back on the strength of bid rumours.

Still, the market expected pre-tax profits of little more than £25m for the year to July and Lucas had its moment, unveiling £32.6m and attributable profits lavish enough to cover dividend in sight.

The key to this performance is the £20.7m upturn in the UK automotive division, which has broken through into operating profitability in the second half after four years of upheaval with 18,000 redundancies and more than £60m of above-the-line costs.

The business has been shrunk to the point where it can at last sell to Britain's shrivelled motor industry without losing money – leaving Lucas to concentrate, as it must, on finding growth overseas.

There should be plenty to build on: Lucas Girling, for example, has enjoyed a strong year in almost all its international manufacturing bases, while the group's share of several European markets has been expanding encouragingly.

Losses have been eliminated and working capital needs have been controlled without any undue strain on the balance sheet.

The task ahead of Lucas remains daunting, however. Its progress in the U.S. is still painfully slow and there is scant evidence of any real thrust into electronic components – the kind of innovation, in fact, which could lift the group's return on capital safely above today's 7 per cent.

Even at this rate, though, Lucas might make pre-tax profits of £60m this year.

Amersham

A 25p rise to 312p for Amersham International yesterday can scarcely be put down just to a 24 per cent increase in pre-tax profits for the half-year, a bit more than expected. More likely is that the market has dared look past the fearsome Enhanced Luminescence Immuno-assay, a beast only partially tamed under the name Elia, to the more welcoming area of research chemicals.

In fact, it will take a year and more before sales of the Elia diagnostic kits start working into profits in the medical products division This marked time in the half-year to September mainly because Elia's hefty R and D appetite combined with tighter public spending on health care, above all in the U.S. Interest has moved to chemicals for life sciences research, where Amersham commands as much as half the market and where profits have shown growth of up to 40 per cent.

Whether or not that can be sustained, research chemicals can expect support from diagnostics once Elia has settled down and R and D spending levels off. With pre-tax profits of £17m in sight for the year, a multiple of about 15 on a 34 per cent tax charge does not look overmuch.

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	C	16	61	Dubrovnik	F	16	61	Malaga	–	–	–	Salzburg	S	11	52
Akrotiri	S	22	72	Faro	F	17	63	Malta	C	22	72	Seoul	S	11	52
Algiers	F	18	64	Florence	S	16	61	Manila	S	30	86	Singapore	F	27	81
Amsterdam	S	12	54	Frankfurt	S	8	46	Miami	S	26	79	Stockholm	C	5	41
Athens	F	16	61	Funchal	F	22	72	Milan	C	12	54	Strasbourg	C	6	43
Bahrain	C	[illegible]	[illegible]	Geneva	C	7	45	Moscow	S	-8	18	Sydney	S	24	75
Bangkok	S	34	93	Gibraltar	R	18	64	Munich	S	9	48	[illegible]	C	25	77
Barcelona	F	19	66	Guernsey	R	10	50	Nairobi	C	23	73	Tangier	C	18	64
Beirut	C	24	75	Helsinki	C	0	32	Naples	C	13	55	Tehran	–	–	–
Belgrade	S	4	39	H. Kong	C	26	79	New Delhi	S	24	75	Tel Aviv	F	23	73
Berlin	S	5	41	Innsbruck	S	12	54	New York	C	20	68	Tenerife	F	22	72
Biarritz	C	18	64	Inverness	F	9	48	Nice	R	18	64	Tokyo	C	16	61
Blackpool	R	9	48	I. of Man	F	9	48	Oporto	R	10	50	Toronto	C	4	39
Bordeaux	S	16	61	Jersey	R	11	52	Oslo	C	5	41	Tunis	S	22	72
Brussels	S	15	59	Jo'burg	S	26	79	Paris	S	16	61	Valencia	F	18	64
Budapest	S	6	43	Las Palmas	F	22	72	Prague	S	7	45	Venice	S	12	54
B. Aires	C	16	61	Lima	F	21	70	Reykjavik	R	3	38	Vienna	S	5	41
Cairo	S	24	75	Lisbon	F	13	55	Rio de J'o	R	30	86	Warsaw	S	0	32
Cape Town	S	25	77	Locarno	C	10	50	Rome	R	16	61	Zurich	C	6	43
Caracas	C	27	81	London	F	15	59								
Casablanca	C	18	64	Los Angeles	R	27	81								
Copenhagen	C	7	45	Luxembourg	S	8	46								
Corfu	F	20	68	Madrid	F	14	57								
Dublin	C	9	48	Majorca	F	20	68								

Readings at mid-day yesterday

C–Cloudy D–Drizzle F–Fair Fg–Fog R–Rain S–Sun Sl–Sleet Sn–Snow T–Thunder

Worse UK pit violence

Continued from Page 1

junction, granted last week, to freeze NUM funds held in the Bank of Ireland finance company. The funds total £2.75m, and are being sought by sequestrators appointed by the London High Court after the union failed to pay £200,000 fine for contempt of court.

The NUM will appear in the Dublin court today to argue that £700,000 of the total sum should be exempt, since it belongs to the Derbyshire area.

● Striking miners are being singled out for exceptional and harsh treatment under the law, a UK lawyers' pressure group claims, **Raymond Hughes writes.**

The Legal Action Group asserts that Home Office statistics confirm that the criminal law is being applied to striking miners "with a ferocity which is unprecedented, even in times of extensive social breakdown and general disorder."

The group's concern is centred on the fact that nearly 8 per cent of miners arrested between March 13 and October 16 were charged either with unlawful assembly or riot. Both offences carry a maximum sentence of life imprisonment and are likely to result in a substantial prison sentence.

Shuttle crew catch satellite

Continued from Page 1

by Indonesia next year, but the Westar 6 will have to be sold and as yet there is no firm buyer. Underwriters hope to secure $25m on each sale of the satellites.

Mr Maylam said: "Whether this exercise is worthwhile commercially for underwriters is hard to say." He said that because of the big rate rises in the insurance market there had been few requests for quotations since the beginning of the year.

Yesterday's successful manoeuvre was a further step in Nasa's drive to demonstrate the possibilities of using the shuttle for working on structures in space.

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FINANCIAL TIMES SURVEY

Chartered Institute of Public Finance and Accountancy

Institute of Chartered Accountants in England and Wales

Institute of Chartered Accountants in Ireland

Institute of Chartered Accountants of Scotland

Institute of Cost and Management Accountants

Chartered Association of Certified Accountants

The profession's organisations

(1983 figures)	Members	Students
Institute of Chartered Accountants in England and Wales	78,231	13,725
Chartered Association of Certified Accountants	26,052	65,864
Institute of Cost and Management Accountants	22,300	41,1600
Institute of Chartered Accountants of Scotland	11,085	1,590
Chartered Institute of Public Finance and Accountancy	9,003	2,269
The Institute of Chartered Accountants in Ireland	4,764	2,148

ACCOUNTANCY

IN THIS SURVEY

Fast changing markets, and fierce competition are forcing accountants to reassess the structure of their profession and the role they want to play in the provision of financial servics to the business community.

Aggression replaces complacency

BY ALISON HOGAN

THE battle for survival has begun in earnest within the accountancy profession.

The profession has been shaken out of decades of complacency by the severity of the recession, the impact of new technology, and the increased competition prompted by the financial services revolution.

The havoc wreaked throughout British industry in the late 'seventies put accountants on the line, whether as management accountants, financial controllers or auditors. Their reliability and effectiveness began to be questioned.

Accountants in industry and commerce have had to develop more robust financial controls and forecasting techniques and improve their ability to communicate financial information to all parts of the business.

Accountants in practice have had to respond to an alarming reduction in their profitable audit base and fierce competition over fees.

The ferment which has been going on within the profession for the last four or five years has crystallised this year in a number of major events.

- The announcement of the proposed merger of two of the world's largest firms of chartered accountants Price Waterhouse and Deloitte Haskins and Sells highlights concern within the profession to harness sufficient skills and resources to remain profitable and expanding into the 21st century. It has also attracted the attention of the regulatory authorities to the growing power and influence of the major international firms.
- The removal, on October 1, of restrictions on advertising, marketing and sponsorship governing the UK profession heralds a period of greater competition and commercialism and a higher profile for traditionally discreet accountants. Some smaller firms will probably not survive the new aggressive age.
- The decision to merge the Institute of Chartered Accountants in England and Wales (ICAEW), the largest and most influential of the accounting bodies, and the Chartered Institute of Public Finance and Accounting could prove a catalyst to further radical change in the structure of the profession.
- Information technology is revolutionising the work of accountants, giving scope for major improvements in productivity and creating opportunities for new methodoligies and working practices which, in turn, open profitable new areas of business. A recent survey, however, reveals that the profession has been very late in adopting computers.

Government initiatives have provided many lessons for the accountancy profession since the Conservatives came to power in 1979. Their financial management initiative, the Rayner Unit, their value for money drive and the preaching of the three Es—economy, efficiency and effectiveness—have prompted methods of business management which have proved transferable to the private sector.

And, although the Civil Service mandarins have continued to frustrate the profession's attempts to get more accountants into the higher echelons of Whitehall, great strides have been taken elsewhere in the public sector with the setting up of the National Audit Office and the Audit Commission and a wealth of consultancy exercises into all aspects of the public sector.

The concept of the value for money audit—something beyond the statutory regulatory examination of financial statements and accounts—has proved the key to the growth of many related services from accountants.

For the smaller business, the accountant will now advise on business strategy, the drawing up of business plans and on the kind of accounting and statistical information a business needs. He will also advise on office technology, on sources of finance and tax planning, and will undertake some trust work.

The larger independent business can seek advice on employee share schemes, management buyouts, Government and other sources of financial assistance and advising on preparing for a public flotation, a growing and competitive area.

At the international level there seems no limit to the services an accounting firm might offer. Touche Ross, for example, lists 14 different services and 19 specialist industry programmes. The services include actuarial and benefits consulting, litigation, strategic systems planning and liaison between industry and government.

The mushrooming of non-audit services has been the greatest boost to growth for the larger firms and is fundamentally changing the nature of the profession and the public's perception of it.

Coopers and Lybrand has doubled its management consultancy professional staff in the UK to nearly 400 in the last two years and reckons it is the largest management consulting firm in the country. Only £25.6m out of a total fee income of £72.4m came from audit billings last year.

Though late to make full use of information technology the international firms, usually led from the U.S., are spending millions of dollars in office network systems.

Peat Marwick International, for example, have ordered micros in their hundreds as part of a plan to have one available for use on virtually every client engagement, while over 12,000 professionals around the world have to date been trained in the implementation of a system, which automates many audit functions previously done manually.

The polarisation between small and large firms will result in casualties. Many of the UK firms earning fee income between around £7m to £20m a year are very concerned for their future.

Further mergers are expected but as one senior partner commented "When you are not making much money, no-one is interested in you and when you are profitable, your partners don't want to merge."

The financial services revolution, deregulation and increasing competition makes the structure of the professions seem out of date. Some medium-sized firms are considering various radical changes, including the possible hiving off of the audit function from general consultancy work and of establishing formal links with other financial advisers such as firms of stockbrokers, merchant banks or possibly solicitors.

The professional bodies are struggling to find a suitable structure and role to meet the fast changing needs of their members. The merger of the Chartered Institute of Public Finance and Accountancy (Cipfa) with the English Institute could well result in a radical reorganisation of education and training. Cipfa's practical test of competence for its members may be extended to other subjects such as corporate finance, taxation or insolvency work.

The merger narrows the accounting bodies into two camps, the chartered accountants and the other two bodies, the Institute of Cost and Management Accountants (ICMA) and the Chartered Association of Certified Accountants.

A merger of these two bodies was proposed in 1982. It was accepted by the Association membership but rejected by the ICMA. John Delany, vice-president of ICMA said last week that the Association with members both in and out of practice was "all things to all men." He would prefer ICMA to remain "the custodian of management accounting."

"The days of complacency are over," according to Mr Delany. "The English Institute came out of its sleep suddenly and it will probably wake everyone else up too."

The World's top accounting Firms

1983 REVENUES

WORLDWIDE	$m	U.S.	$m	UK	£m
Arthur Andersen	1,238	Arthur Andersen	909	Peat Marwick	74.3
Peat Marwick	1,230	Peat Marwick	810	Coopers & Lybrand	72.5
Coopers & Lybrand	1,100	Coopers & Lybrand	644	Deloitte, Haskins & Sells	69.8
Price Waterhouse	1,013	Ernst & Whinney	638	Price Waterhouse	68.8
Arthur Young	1,003	Price Waterhouse	493	Enrst & Whinney	56.0
Ernst & Whinney	972	Arthur Young	438	Arthur Young McClelland Moores	54.0
Deloitte, Haskins & Sells	940	Deloitte, Haskins & Sells	430	Touche Ross	52.0
K.M.G. Main Hurdman	900	Touche Ross	380	Thornton Baker	45.0
Touche Ross	845			Arthur Andersen	41.0
				Thomson McLintock	35.2

Sources: Public Accounting Report/FT

Accountancy 2

As yet, no more than a soft sell

Publicity and advertising

BARRY RILEY

THE IMAGE builders are now moving purposefully into the once distinctively stuffy professional world of accountancy. Advertising agencies like Allen Brady and Marsh and Saatchi and Saatchi are being retained by big firms of accountants. In-house public relations men are expanding their empires, and external consultants are being tapped for advice.

Meanwhile, coy titles like practice development office are being dropped, and the big firms are sprouting marketing departments which are able to use nearly all the normal commercial techniques of advertising and promotion, including sponsorship.

The Institute of Chartered Accountants has itself just published a guide to practice promotion by marketing expert Patrick Forsyth. It includes advice such as that firms should decide "which PR and promotional techniques will be most cost effective in achieving the desired image goals."

By no means all accountants are happy that their profession is becoming involved with such a hard-sell approach. But the pressures have proved to be irresistible, coming not only from the Office of Fair Trading, which has been opposing what it regards as the anti-competitive restrictions of a number of other professions besides accountancy, but also from the big firms themselves.

October 1 was the date on which the ICA formally abandoned its major sectors of old code of professional ethics and brought in much more liberal guidelines on publicity and advertising. The initial burst of advertisements on that day turned out to be distinctly dull, but they were very much in the nature of a hasty flag-waving exercise.

The creative departments of advertising agents are now working busily on more carefully considered campaigns, though for the time being they are bound to continue to be at least partly experimental in nature.

Coopers has brought in the Leagas Delaney Partnership as its advertising agency, and is planning a two-pronged approach. One aim will be to promote the firm as a whole, which is where TV comes in. But the firm will also be advertising specific services, and will use the Press for these.

Coopers' senior partner Brandon Gough thinks that the major accounting firms "are faced with tremendous opportunities to develop and expand their capacities to meet client needs and to capture an increasing share of the markets for high quality and objective advice and assistance."

Accordingly he is enthusiastically recommending a liberal approach by the accountancy institutes. But for the time being, at least, the ICA is continuing to impose various restrictions.

For instance, there is a curious rule that newspaper advertisements should not exceed a quarter of a page in size—on the reasoning that space should be related to "a requirement to inform rather than to impress."

Direct mail shots also continue to be banned. Promotional literature may only be sent to existing clients or to those who have asked for it. The Institute will also frown on member firms which are undignified enough to promote themselves on the basis of hourly or other charging rates.

To some extent these remaining restrictions reflect a desire by the profession's leadership to prevent damage to the reputation of accountants. There is concern about an excess of commercialism, or about lapses of taste such as the Price Waterhouse advertisements in Australia which featured a cartoon depiction of Tarzan.

Advertisement limit

But the rules also reflect internal professional jealousies. The quarter-page newspaper advertisement limit, for instance, is partly justified by the supposed need to "safeguard new entrants to the market and the competitive positions of all firms regardless of their financial resources."

Norman Barton, secretary to the Ethics Committee, has been touring the country, holding a series of seminars designed to inform Institute members on the application of the guidelines.

The committee will shortly be publishing a booklet of selected questions and answers. Most interest, apparently, has centred on promotional activity rather than advertising; accountants want to know exactly where they stand on the distribution of literature, and they want guidance on the scope for seminars and stands at exhibitions.

Meanwhile, the committee is monitoring all press advertising in leading newspapers, though it will rely on members for information on dubious TV and radio commercials, or on advertisements in local papers.

At one level, the big firms now have the chance to promote themselves more actively as broadly-based providers of business services. For instance, a Coopers and Lybrand TV campaign beginning this month will emphasise the firm's role in everything from a business start-up to a multinational merger.

By expanding away from their traditional core businesses of auditing, liquidations and tax, the accountancy firms are increasingly coming up against new competitors who are not hampered by publicity constraints. Management consultancy, computer services and capital market activities, notably connected with the Unlisted Securities Market, are some of the areas where promotion is needed.

Small firms are less concerned with overall images, and many are suspicious of the increasing power of the big national and international firms. But small practitioners are also conscious of the need to promote themselves. They know that banks and newer financial services enterprises would like to expand in tax and other advisory areas, aiming both at private individuals and at small businesses.

The stated principle is that publicity and advertising material "must be consistent with the dignity of the profession." Further, the institute's guidelines lay down that members must not seek work "in an unprofessional manner."

Just what these terms mean will have to be clarified in the course of practical experience. By implication, there is some boundary or limit beyond which a professional accountant must not stray.

Whether it is practical to draw such a line is something that will become apparent over the next few years. If the hard sell approach becomes too dominant, clients are bound to change their attitude to the accountancy profession. In particular, the objectivity of an accountant's judgment could be increasingly called into question.

Most firms of accountants have a lot to gain from expanding into new fields. But they cannot afford to become so commercialised that they risk losing the profession's key asset, the audit franchise.

Lucrative market in sources of finance

Independent business

WILLIAM DAWKINS

THE explosion in sources of finance for small businesses has created an expanding and potentially very profitable range of opportunities for accountants nimble enough to catch growth companies in their earliest stages.

To cater for their needs, most major accountants have been busy refining a selection of services outside their routine tax and audit work, including assistance in preparing business plans, cash flow analysis, and help with finding the right source of finance.

Some firms have gone so far down this road that their independent business units have even begun to compete against merchant banks. Yet the profession as a whole still seems to have a long way to go in answering entrepreneurs' needs adequately.

Fifty-seven per cent of the entrepreneurs questioned in a recent survey by Your Business magazine complained that accountants played no constructive role in their businesses besides auditing annual accounts. Only 27 per cent said their accountants had suggested or implemented business plans.

"There is no doubt that the profession has to take a lot of the blame for many small business failures because of insufficient advice and lack of commitment," admits Mr Murray Charlton, on secondment from Deloitte Haskins and Sells as small business adviser to the Conservative Central Office.

Mr Godfrey Whitehead, Deloitte's partner responsible for small business affairs in the UK, adds: "The whole thrust in the past has been to prepare a set of accounts which is already nine months out of date—doing everything on a retroactive rather than a proactive basis. We are now looking at a much more proactive profession. We believe that we have a much more business service related business."

The firm's London-based small business group earns 50 per cent of its income from assisting start-ups and preparing capital raising plans, while its 28 provincial branches devote around 30 per cent of their time to non-statutory compliance work. "Over the past five years, we have identified a specific investment in this area," says Mr Whitehead.

Preference

Deloitte's prefers to take on clients with above average growth potential or the ability to move to a stock market quotation—it has taken 17 companies to the USM—and leave the small time window cleaner or newsagent to local practitioners, a policy followed by most of its competitors.

Its most important role, says Mr Whitehead, is in a company's start-up or development stages, where a client often needs instant access to a whole range of accountancy skills under one umbrella. Like other firms, Deloittes is trying to move away from its traditional habit of compartmentalising services into occasionally remote specialist departments.

To this end, it has recently reorganised its Bradford and Birmingham offices to provide "one-stop shops" for small businessmen. Rather than retrain existing specialists to assume more general advisory functions, Doloitte's is building its independent business team from the bottom up, starting with newly-qualified staff.

Mr Whitehead explains: "I can think of one computer company where the average age of the directors is 25—and that's not unusual. This is a young people's world. Those entrepreneurs may be brilliant in their fields but they lack two things: business expertise and money. That's where we come in."

Most firms readily admit that this kind of service is not nearly as profitable as day-to-day tax and audit work. "It keeps us in bread and butter but chargeable time is not nearly as high as in routine compliance work," says one accountant.

The justification, of course, is that the small entrepreneur of today might become the major client of the future. Trafalgar House, for instance, is now one of Touche Ross's largest clients. Yet when it joined the firm 15 years ago, Trafalgar's first bill was for just £25. Today, 85 per cent of Touche Ross's clients pay annual fees of £2,500 or less.

"We generally attract small businesses having difficulties coping with the problems of change. There is a strong expectation from the beginning that they are going to grow fast," says Mr John Roques, partner in charge of Touche Ross's London office.

The risks are that some of those clients could end up providing work for the insolvency divisions or simply disappear. Start-ups provide the highest risks of all, where a substantial amount of time spent in assisting the entrepreneur in preparing a business plan for potential investors may come to nothing if the venture fails to raise funds and the businessman is in no positon to pay.

"It's venture capital with your time," says Hugh Aldous, partner in charge of corporate finance for Robson Rhodes. His firm opened a venture capital department five years ago, since when it has helped 50 companies raise funds and brought six groups to the USM.

After making an initial appraisal of potential clients, the firm will draw up a draft business plan, which is then presented to an internal Robson Rhodes investment committee, including members of the firm acting as bank managers, lawyers and venture capital investors. Only when a proposal passes this mock trial does the firm go ahead and present it to a real venture capitalist.

Write-off time

"It involves a lot of write-off time," says Mr Aldous. "About 20-25 per cent of the plans presented to us get as far as the investment committee. But not one has been rejected once it reaches that stage. After that, one in 10 will grow like Topsy — and we get a kick out of that."

Mr John Ormerod, venture capital partner for Arthur Andersen, believes the accountant's role goes beyond grooming ventures to raise capital to actually directing entrepreneurs to the right source of finance.

The firm's 100-strong general practice division is the core of its small business service, although around a quarter of the audit department also spend a substantial amount of time working for unquoted or owner managed companies.

Most importantly, says Mr Ormerod, "the entrepreneur needs someone to stop and ask uncomfortable questions. That is the most valuable service that the accountant can offer."

Ill feeling over CCA

Standards

MICHAEL PROWSE

"All financial statements involve judgemental estimates and hence absolute certainty is unachievable." Statement of Intent, ED 35: Accounting for the effects of changing prices, November 1, 1984.

A BETTER rationale for the existence of the Accounting Standards Committee (ASC) would be hard to find. Fifteen years ago, the main accountancy bodies realised that mandatory accounting standards were needed to supplement the minimal framework of UK company law. In the 1960s there had been a growing awareness of the lack of comparability and consistency in corporate financial statements.

In 1969, the ASC (then called the Accounting Standards Steering Committee) was established to oversee the preparation of accounting standards. The standards are formally issued and enforced by an umbrella organisation, the Consultative Committee of Accountancy Bodies (CCAB).

On November 1, Mr Peter Godfrey, the senior partner of Ernst and Whinney, who took over as ASC chairman in August, outlined the committee's future "work programme." He mentioned 18 projects. Many are of limited importance being revisions of earlier standards and attention is likely to focus on two important topics: "Accounting for the effects of changing prices" and "Accounting for Pension costs."

Since it was set up in 1969, the ASC has produced 21 accounting standards. The committee regards all standards as mandatory — accountants are supposed to "qualify" the accounts of companies which fail to comply.

Yet since the standards are no more than instructions issued by a self-appointed private sector body, they have no statutory force. In most cases, the lack of legal backing has not been a problem: many standards are narrowly focused on a particular issue — for example accounting for extraordinary items — and have not proved controversial.

As many standards do no more than codify the accepted practice of the larger companies, the ASC has not, in general, been beset by problems of non-compliance. In the main, standards have helped to improve the consistency and comparability of financial statements and the ASC has more than justified its existence.

As Mr Godfrey admits, however, inflation accounting has been the "exception that proves the rule." Inflation accounting is a crude term which is used to refer to all efforts to adjust financial statements for the effects of changing prices, including current cost accounting (CCA) which has nothing per se to do with inflation.

In the past decade, the furore over CCA has done more than anything else to weaken the ASC's standing as a private sector regulator. SSAP 16, the CCA standard unveiled in 1980, has been dogged by controversy. In 1982, members of the Institute of Chartered Accountants came within a whisker of voting it down and 50 per cent of large listed companies are now thought to be ignoring the standard.

The signs are that Mr Godfrey will have a rough ride if he attempts to turn the new exposure draft, ED 35, into a mandatory standard to replace SSAP 16.

The bulk of both the accounting profession and industry still seem unconvinced of the merits of CCA. ED 35, although in some respects a watered-down version of SSAP 16, upholds the principle of replacement cost accounting which has proved so unpopular.

So far, ED 35 has received only 29 comments, mostly unfavourable, and its exposure period ends on December 31. The signs are that Mr Godfrey is preparing to trim his sails.

On November 1, the ASC admitted "there is widespread concern about the cost and complexity of current cost information and appreciates the importance of finding ways to make the information simpler to produce."

The ASC has proposed simplified methods of calculating current cost adjustments in a bid to make ED 35 more palatable.

CCA has led to ill-feeling because the ASC attempted to impose a type of accounting which has yet to win widespread support among practical auditors and finance directors.

To some extent the problem was not of the ASC's making: CCA was imposed on the profession in 1975 by a government-appointed committee led by Sir (then Mr) Francis Sandilands.

Periodic doubts

The Sandilands Committee over-ruled the ASC's own attempt to grapple with the problems of inflation: SSAP 7: "Accounting for changes in the purchasing power of money" was withdrawn untested.

The ASC has had periodic doubts about its effectiveness as the self-appointed guardian of accounting standards in the UK, which have little to do with the CCA debate. In 1981, a report masterminded by Mr Tom Watts, then chairman of the ASC, made several recommendations:

- Users of accounts should be better represented on the ASC and the needs of users better reflected in standards.
- The ASC needed a "substantial technical staff" and its budget, then £200,000 a year, should be doubled.
- New steps should be taken to ensure standards were obeyed since an audit "qualification" was an inadequate sanction — a new supervisory body was proposed.

Mr Ian Davison, Mr Watt's successor as ASC chairman, made several useful innovations. He acted on the first recommendation and reconstituted the ASC in 1982 to ensure that the 20-strong committee always included five "users of accounts," who would not necessarily be accountants.

He invented a new non-mandatory guideline, the Standard of Recommended Accounting Practice (Sorp) to be employed either where a topic was of concern only to a specific industry or where it was of general application but not of "fundamental importance."

Mr Davison was also responsible for a new "cost-benefit" criterion alien to the Watts approach. If the cost of providing certain information exceeded the benefit to users, suggested a Davison report in 1983, exemption from an accounting standard could be justified.

"True and fair" has since become a more flexible concept. When ED 35 was unveiled it was possible to argue that the accounts of private companies, however badly affected by inflation, would be true and fair even if they did not provide CCA information, because the cost of the new data would exceed the benefit.

Mr Davison failed to take up the two other main recommendations of the Watts report. Today the ASC's budget is still only £210,000 which, after allowance for inflation, is not much more than a third of what the Watts report recommended. The ASC's professional staff of only four looks meagre to say the least.

The lack of resources has meant that ASC has been slow to react in the past: standards on inflation accounting, foreign currency translation and leasing finally emerged about a decade late. There is no standard on pension accounting although it is encouraging that Mr Godfrey has already issued a statement of intent on this and has made the topic a priority.

If the ASC is to be more effective in the future it may need more staff and a bigger budget. The accounting profession also needs to ponder the third question raised by Watts: the enforcement of standards— the disregard of SSAP 16 has set a bad precedent.

Aim is to widen base of skills

International links

ALISON HOGAN

FROM Los Angeles to Athens, Vancouver to Paris, hundreds of accountants met together last month, at a series of conferences on their international practices.

All the major UK accountancy firms now have some kind of international agreement with several other national pratcices. Some amount to little more than a referral system, an international directory giving clients contacts in other countries. Others are highly integrated, bearing the same name, sharing training methods, audit manuals and technology.

Arthur Andersen, the largest international firm of chartered accountants (prior to the Price Waterhouse Deloitte Haskins & Sells proposed megamerger) with a worldwide fee income of $1.388 bn in the year to August, has one of the most integrated structures of any firm—though it stops short of international profit sharing.

It was later than most of the Big Eight firms in expanding overseas, opening its first offices outside the U.S. in 1955. The move reflected the growth and expansion overseas of its major clients. Even today, Arthur Andersen's U.S. offices generate 73 per cent of the firm's total income.

The domination of the U.S. practice facilitated a strong centralised organisation. This was reinforced when its Centre for Professional Education was opened in 1970 at St Charles, Illinois, near Chicago. Today, despite the massive growth of the firm worldwide, over 90 per cent of its management consulting staff are trained there, and all audit staff will pass through the centre at some time in their career.

It is expensive to operate but "it's worth what ever it costs," in ensuring a certain standard and qaulity of work and research throughout the firm, according to Duane Kullberg, chief executive of Arthur Andersen worldwide.

In 1977, recognising the increasing importance of its overseas offices, Arthur Andersen undertook a major reorganisation and moved its legal headqaurters to Geneva where it formed a Société Coopérative. Since then, the various national practices have had a far greater degree of automony anticipating a change in the client mix of the firm.

In 1978, 68 per cent of the fee income of the UK practice arose from referral work, largely from the U.S. "Now, it is exactly the reverse, and much of the referred work is from countries other than the U.S.," explained Don Hanson, senior partner of Arthur Andersen UK.

Arthur Andersen, adopted a policy from the outset, of appointing nationals to staff its offices, rather than bring in UK accountants. The result has been that it has avoided some of the problems of older more established U.S.-UK based firms which have sometimes encoutered stiff opposition from the indigenous profession. Within Continental Europe, Arthur Andersen have been particularly successful in Spain and Italy.

Many firms established their international practices only in the past five years.

Arthur Young International only founded its European firm, AMSA in 1980, bringing together 11 national firms. Today it is already one of the two largest accountancy organisations in Europe with a strong presence in every Western European country.

The name AMSA, used to create a separate European identity, has recently been dropped as it is felt the organisation is now sufficiently well established and the competition at the international level tough enough, that a greater harmonisation on international operations is required.

The race to achieve international stature is on in earnest at all levels, hastened by the news of the proposed merger between Price Waterhouse and Deloittes to form a firm with a $2bn fee income. The aim of all firms is for greater geographical coverage and for a broader base of skills and resources.

"It is both an aggressive and a defensive strategy," said Michael Lickiss managing partner of Thornton Baker, the UK practice of Grant Thornton International. The firms want to sharpen the marketing of their services, meet the needs of their clients overseas and, defensively, stop their clients turning to one of the larger firms.

Grant Thornton one of the fastest growing international practices will get a big boost to its income if the proposed merger goes ahead of its U.S. practice Alexander Grant with Fox and Co to give a combined fee income of $228m.

Fox Moore International, on the other hand, loses one of its key national practices, and, until it finds another suitable U.S. link, plunges down the world league to fourteenth place.

Grant Thornton International, along with some other international practices, including Binder Dijker Otte and KMG, have chosen a looser federal organisation than most of the Big Eight firms. It allows member firms to use their own name within their country, backed by the international network of the worldwide organisation.

Their overheads tend to be lower, but in general, they lack the resources and co-ordination to pitch for some of the largest transnational jobs. It is in the area of special services, that the largest firms gain some of their greatest benefits of size.

Frequently, they put together international teams to pitch for a particular major audit or consulting job. Practices which develop a particular expertise can pass their experience on to their colleagues in other countries.

The formation of a high technology group by Arthur Young in the UK is an example of that process. In the U.S. the firm provides consultancy to 20 per cent of the top 1,000 U.S. high technology companies. The UK group, learning from the U.S. experience, is offering a similar service to UK clients advising on such subjects as the development of business plans and sources of venture capital.

Touche Ross, meanwhile, has established a Financial Services Centre on Wall Street, a multi-disciplined team of 150 people, drawn from different national practices to service clients in banking, commodities, insurance and other financial services.

Advisers face harder attitude by Revenue

Taxation

MALCOLM GAMMIE

FEW subjects change as rapidly as taxation. Few tax practitioners can afford to be away for long from their regular dose of new tax information. From the hardened expert, able to consume the raw material of Revenue press release, new Acts and court decisions and learned articles, to the general practitioner, who may prefer a lighter gruel, there is no respite from the task of digesting ever more information on the subject.

Despite the tax system's complexity, PAYE ensures that the great majority of taxpayers have little or no direct contact with it. Contact is primarily at the business level and with those whose tax affairs are more complex.

Nevertheless, in many cases it has been the tax adviser who has been at the sharp end and, in the past, exchanges between the adviser and the Revenue have been conducted against a background of genuine goodwill. It has been a comfortable relationship. Increasingly this is no longer the case.

Fluctuate

As economic circumstances have fluctuated and the detail of the tax system has changed (six of our present taxes have appeared in the last 20 years), so the tax profession has adapted its thinking and approach to the needs of its clients.

Certainly, the 1970s era of tax avoidance hardened the Revenue's attitudes. The fierce competition in the tax advisory field has led some in the Revenue to believe that standards of integrity have declined, as advisers jostle with each other to provide a more "tax effective" service.

The role and responsibility of the tax adviser to his client, and its relationship with the role of auditor, is not always as well understood in the Revenue as it should be. Increasing contact between the Revenue at all levels and the Institute of Taxation, the accountancy bodies and others is, however, doing much to establish a better understanding of each other's position.

Nevertheless, other factors are at work which mean that the previous comfortable relationship is unlikely to return. Since October 1977 Revenue manpower has fallen by some 18.5 per cent and, by April 1988, manpower is set to reduce to 62,900, some 26.5 per cent below the 1977 peak.

The Revenue must inevitably search for more efficient work methods: towards depersonalisation and automation; it must favour changes which shift the administration on to the taxpayer: towards self-assessment and deduction of tax at source; it must concentrate more resources on investigative and tax audit work: inevitably, towards the more adversarial areas of Revenue activity.

Traditionally, the tax services offered by the tax professions have fallen into two broad areas: planning and compliance. On the compliance side greater emphasis is likely to be required on installing and advising on the necessary compliance systems on ensuring that they will meet Revenue investigative standards and on assisting the client to meet such investigations.

Computers will play an ever increasing role in operating compliance systems, in computational work, in planning and in the marshalling of information and, most importantly, in minimising the cost of the tax services the client requires.

Specific legislative change and recent court decisions have severely curtailed traditional tax planning methods. This serves to underline the need for advance tax planning to obviate the type of short-term manoeuvres to which objection has been taken.

Tax planning will remain a part of the professions' repertoire so long as taxpayers wish to minimise their liabilities. To business, in particular, tax by any name is merely another cost to be minimised by effective and legitimate tax planning wherever possible.

Indeed, as compliance work becomes more automated more time will become available for the planning aspects of the job. Specialisation in particular areas of tax will increase.

As the tax profession adapts to the changing atmosphere and to commercial and competitive demands, there are, however, many legitimate concerns as to the state of the tax system itself. There is widespread dissatisfaction with the legislative process and while consultation has improved enormously, on many aspects the Revenue can appear unduly negative, many would prefer some independent scrutiny of proposals and eventual legislation.

Secrecy

Government and Revenue still value secrecy too highly. Only recently this has been illustrated by the refusal to publish three extra-statutory concessions on such wide ranging subjects as stock relief, maintenance payments and repayment supplement.

In the Dawson case the House of Lords has handed a potent weapon to the Revenue. Here, as in other areas of uncertainty, many taxpayers are at a disadvantage, unwilling to risk the costs of proving that their advisers, not the inspector, has taken the correct view of the law.

The professions anxiously await some sign to show that the Revenue can wield such a weapon in a proper and reasonable manner.

A tax system must necessarily balance the needs of Government and the Revenue departments with the protection of the individual. The Keith Committee on Revenue enforcement powers (Cmnd 8822) achieved such a balance and was widely praised on that account.

It is to be hoped that the balance will carry through to the legislation that will be introduced in due course.

The Keith Committee illustrates the positive advantages that can follow from an independent expert scrutiny. Few people would take pride in Britain's present tax system.

The writer has previously urged the appointment of a Royal Commission to examine the system as the constructive way forward. He has yet to be persuaded otherwise.

Mr Gammie is Director of National Tax Services at Thomson McLintock and Co.

Advertising opens battle to cut costs

OCTOBER 1 1984—the day that accountants were first allowed to advertise their services—was certainly a milestone for the profession. "A-day," as it is called, was an important step on the road towards more competition in accountancy.

Far from signalling a huge upheaval in the accountancy world, however, A-day follows rather than anticipates big changes. The winds of competition, while so far amounting to little more than a stiff breeze, have been causing accountants to redefine their product and search for a new role for several years now.

Perhaps the most striking change is the way that companies are beginning to regard an audit more like any other commodity. Increasingly, it is realised that "value for money" can only be achieved by shopping around.

Why it has taken companies so long to wake up to the fact that different accountancy firms will offer audits of different quality and at different prices is unclear. One explanation is that British industry has only recently become fully conscious of the need to reduce all of its costs.

Professional fees rose rapidly during the 1970s, more than compensating for inflation, according to some accountants. The prolonged recession of the early 1980s added insult to injury and audit fees were no longer accepted without question.

Another explanation for changing attitudes is the drive for efficiency which has occurred in the public sector. Accountancy firms have won important new business as financial advisers to public sector corporations and departments. But typically the business has been won only after a competitive tender.

For once, private industry has been obliged to take a leaf out of the public sector's book. The only sensible way a company can discover whether it is getting a keenly-priced audit is to put the business out to a competitive tender.

It seems that substantial cost savings are often possible. These could represent either excessive profits earned by auditors when there was less competition or a lack of efficiency on the part of accountants.

A good recent example is the fight for the audit of the reorganised Royal Bank of Scotland Group. Deloitte Haskins and Sells has triumphed over rivals Peat Marwick Mitchell and Thomson McLintock but only after making an extremely low bid.

According to one estimate, The Royal Bank Group has managed to reduce its audit costs, at least in the short term, by nearly two-thirds.

Greater competition for audits may also reflect the diversification of accountants' business. In recent years, management consultancy, tax advice, insolvency and public sector work have expanded faster than the mature audit market. The consequence is that audit fees have become a much smaller proportion of total fees—40-60 per cent in the case of the big firms.

This means firms may be prepared to cut their audit fees, or to hold down increases, because the loss of this "core business" would also mean the loss of lucrative ancillary services such as management consultancy.

Conversely, it has become worthwhile for firms in certain cases to treat audit as a "loss leader." If the audit of a big company is the key to much more business then it may be economic to make a loss on the audit, at least in the short term, to capture the other business.

Audit

MICHAEL PROWSE

At present, competition for audits is occurring only at the margin. Most accountancy firms would be shocked if more than a few of their corporate clients became disloyal and announced a competitive tender. However, it is possible that private industry will ape increasingly the public sector where it is mandatory to reassess audit arrangements at least every seven years.

The onset of advertising and the sharper competition has brought adjustment problems for older accountants. Salesmanship does not come naturally to them: when competing for public sector contracts in particular, auditors have been expected to explain why their firm can do the job better than any others. Younger partners have been more adept at making suitably strong presentations.

More competition in the accountancy profession is likely to result in a cheaper and better service for industry. But it is already raising new headaches.

An audit, after all, can never be treated quite like an ordinary commodity: firms purchase the service less because they want their books examined by outsiders than because it is a statutory requirement laid down in company law.

The accountancy bodies set fairly strict audit guidelines. None the less as competition intensifies, a tendency to cut corners could emerge: a cut-price audit might mean that financial statements were not scrutinised adequately.

Other issues are raised by the diversification of accountants' business. Strictly speaking, auditors are appointed by a company's shareholders, not by its managers. As Mr Jack Shaw, a senior partner at Deloitte Haskins and Sells in Edinburgh, reminded businessmen in a recent speech, "the short-term interests of directors and shareholders may not coincide."

Mr Shaw went on to argue that the original conception of an audit as primarily to protect "shareholders from the potential depredations of management" is somewhat out-dated. He argued that the modern auditor should be a "corporate counsellor and business adviser" who challenges the assumptions and assertions of management.

This raises a question: could a conflict of interest arise when an accountancy firm acts both as the independent representative of shareholders and as the close adviser of the present management? Suppose the management is contemplating some action, like a leveraged buy-out, that might not be in the shareholders' interest?

When the loss of an audit also means the loss of other lucrative business such as management consultancy and tax advice, auditors may be even more unwilling than in the past to fall out with the managers who are their *de facto* employers.

The accountancy profession is in the process of redefining its role. It is natural to ask whether self-regulation will prove sufficient to eliminate potential conflicts of interest.

Questions are being raised, for example, about so-called "low-balling" tactics—the tendency of some firms to bid below cost for audits in order to gain access to other business or to penetrate a new segment of the market.

In the U.S., the Securities and Exchange Commission plays an important role in monitoring and limiting the activities of accountants. The new regulatory agencies which the Government is devising to monitor the British securities industry might need to fulfil a similar role in the UK.

Route to rapid increase in fee income

Management consultancy

RAY MAUGHAN

THIS, if their publicity is to be believed, is the golden age of management consultancies. And the figures, for staffing and fee income, tend to confirm that here at least is one area of British commercial life enjoying strong exponential growth.

The reasons are not particularly difficult to uncover. On one hand, the Government is determined to get value for money from its hitherto big spending departments and management consultancies are being hired to look over the modus operandi of the major ministries.

At the same time, the policy is to push large slabs of publicly owned assets into the private sector. The attendant appraisals and grooming required for the new start as a quoted entity offers further opportunities for the management experts.

On the other hand, the private sector has been through such turmoil in the severe depths of recession that the consultancies are being asked to advise on new strategies for slimmed down corporations, to present briefs on automation and robotics and to devise a personnel policy for businesses which will never recover their former levels of labour intensity. The bigger conglomerates are also hiring consultancies to decide whether their portfolio mix of assets is right for the 1980s and beyond.

And, in the background, but of no less importance, the consultancies are playing a significant role in the slowly evolving solutions to the problems of financial destitution faced by several leading, traditional, manufacturing concerns.

Given the diversity of roles required by a multiplicity of clients it is clear that the management consultant is, more often than not, something other than a chartered accountant. Coopers and Lybrand, which reckons that its management consultancy is the biggest of its kind, depending on how the rival specialists Inbucon and PA count and allocate their staffs, says that only 35 per cent of its 437 staff (at the beginning of October) were qualified accountants. The remainder have been drawn from a wide range of disciplines, although the prominent qualifications appear to be in computers, marketing and production.

Coopers reckon that only about a third of its consultancy clients are also audited by the main body of the firm and claim that the competition to win consultancy clients out of the main audit list is exceedingly tough and getting tougher.

But the firm believes that only real growth restraint is the difficulty of recruiting the right numbers of suitably qualified staff.

The payroll has grown from 376 since the beginning of April, so presumably the constraints are not that harsh. Coopers is losing very few people at the moment to industry, because the consultancy is so busy, and its fee income has been growing recently at an annual rate of 50 per cent.

Making up for a late enthusiasm

Information technology

ALISON HOGAN

COMPUTERS are an everyday tool of the trade for accountants in industry, yet their colleagues in practice have been remarkably slow to adopt new technology and to grasp the many attractive commercial opportunities available to them at a time of rapid technological change.

"The suggestion that auditing and accounting could be performed effectively by a computer would probably, until only recently, have been as distasteful to most accountants as was the prospect of mechanisation to the craft weavers of the 18th century," wrote the Technical Change Centre in its recent report on the adoption and impact of information technology in the UK accounting profession.

Though late in recognising the value of the new technology, the profession is now rushing to embrace it wholeheartedly. Audit procedures are being computerised, micros ordered in their thousands, and additional non-audit services are being marketed aggressively.

Conscious that the profession *might let slip* what will probably be its most lucrative business in the coming years—the provision of information services to the business community—the Institute of Chartered Accountants devoted its annual conference this year to the technology revolution and has launched a series of initiatives.

In two recent Government studies of IT, the Alvey Committee Report and the Cabinet Office paper, "Making a business of information" the profession was not consulted.

Mr Brian Jenkins, deputy president of the Institute warned members that they were in danger of losing their position as a "pre-eminent source of knowledge, expertise and skills in the handling, processing and control of financial and related information."

The Institute is to sponsor a senior research fellowship in information technology and accounting at a British university with an emphasis on expert systems for professional accountants.

It has also agreed with the European Law Centre to develop an on-line information retrieval system for chartered accountants. The system will include regulatory, tax, and technical material and details of published accounts.

Last month a study of information technology and the accountancy profession was launched by Coopers & Lybrand sponsored by the Department of Trade and Industry and leading equipment suppliers. Guidelines and conclusions should be published early in the new year.

The study will look at the role of the chartered accountant both as a "user" of information technology and at a "catalyst" in the take-up and acceptance of technology within the profession.

Beneficial delay

The Technical Change Centre says that the delay in adopting new technology could prove beneficial to the profession, untrammelled by the conservative procedures of entrenched data processing departments.

The profession is reviewing its education and training in IT, for both qualified accountants and students. Philip Couse, chairman of the English Institute's education and training committee recently said that "just as reading and writing are not examined but taken for granted, so too will knowledge of information technology and the basic use of computers and software."

The widespread use of computers change the nature of the work of accountants and is leading to a two tiered structure with accounting technicians undertaking a support role, while the higher level professional staff are freed to spend more time on consulting and strategic work.

As the profession moves towards a fully automated audit, the Technical Change Centre suggests that the annual audit could become almost a free by-product of the regular accounts product\n service. Such a trend is likely to work against the smaller firm in the market place and the report foresees further polarisation in the structure of the profession as a whole.

Some accountants are successfully finding a niche in the smaller end of the market. Mike Salinger has built up a franchise operation called AIDS which provides an accounting and book-keeping service for smaller businesses which for one reason or another, do not want to invest in their own systems.

At the other end of the scale, most of the world's "Big Eight" firms have grandiose plans of *linking all their offices world*-wide through computers. Arthur Andersen, for example, is installing hundreds of Wang terminals for office use, and both desk top and portable micros which audit managers can take with them to clients and link into a database back at head office.

"The adoption and impact of information technology in the UK accountancy profession." The Technical Change Centre, 114, Cromwell Road, London SW7 4ES.

New Bill will simplify procedures

Insolvency

ALISON HOGAN

INSOLVENCY work has elicited a mixed response from the accountancy profession over the years. The work has not always proved to be profitable and the reputation for being a commercial "undertaker" can put off clients from using other accounting services. Deloitte Haskins and Sells, which like many major firms, started out in the middle of the 19th century depending upon insolvency work, admitted that as the firm grew in size and reputation "there was an increasing tendency in the firm to regard insolvency appointments as unsavoury, and generally they were taken only where the Government or a major client insisted."

The property and financial collapses of the mid-1970s changed this attitude as the receiver's constructive role in saving all or parts of a failed business became recognised.

All the largest accountancy firms now have a significant insolvency practice. Those whose inhouse experience was limited, acquired established insolvency practices to enhance their capability. Bernard Phillips merged with Arthur Andersen, and Cork Gully is now a part of Coopers Lybrand, earning fee income in excess of £9m a year.

Below them in size come dozens of practices, many with just one or two partners, who have built up a reputation with the banks for their skills in specialist reporting and liquidations.

The major clearing banks are responsible for the bulk of the work of insolvency practitioners, appointing them as receivers to troubled companies.

They keep a careful record of the performance of the firms and a receiver will soon find business dries up if mistakes are made. "You are as good as your last record," said Stanley Carslake of Barclays Bank which provides the greatest amount of receivership work of any bank.

Barclays allows regional managers to appoint receivers, although always in consultation with head office.

The banks want receivers to have a good local knowledge of the company and of the sector within which it operates. They are more likely both to deal effectively with creditors and to spot potential purchasers for parts of the business in any rationalisation they might recommend.

A broad geographical coverage is seen as increasingly important and Barclays says one of the reasons it appointed Thornton Baker to around a third of all its receiverships last year was on account of their national network of local offices.

The most recent merger of two practices, between Begbies, a long established London insolvency practice and Armitage Norton, came about because both firms recognised the need for Begbies specialist expertise combined wit^ A & N's established regional network.

The banks have become sensitive to possible conflicts of interest with the insolvency practitioners. They have reversed their traditional policy of favouring their own firm of auditors in receivership appointments and try to distribute the work more widely.

As the area of specialist investigation work has grown they have adopted a policy of usually not appointing the existing auditors of a troubled company, but bringing in an independent firm with a completely fresh approach.

The banks say that the quality of investigation work has improved in recent years, particularly from the larger firms which can draw on the resources of other parts of their practice. The firms, for their part, say that the banks heed their pleas more frequently to be brought in earlier when they can assume a troubleshooting role.

Tim Hayward, a partner of Peat Marwick Mitchell, said that insolvency work used to be viewed rather simplistically as either a receivership, involving an ultimate refinancing, or a liquidation where one assumed the role of undertaker.

The increase in broad based special work has changed that view and a practice will expect *to provide a range of services* to companies, some with short-term financial problems which require new sources of capital, through to those facing fundamental difficulties.

The changing attitudes and approach of the banks and insolvency practitioners preceeds the major reform of insolvency law presently being undertaken by the Government.

A new insolvency Bill will be introduced into Parliament in December and should become law next year. Its aim is to simplify the procedures for insolvency and to encourage companies towards an earlier recognition of their problems which should result in a further increase in "intensive care" work for practitioners.

The Bill will propose a new appointment of an administrator with powers similar to a receiver when a company is in difficulties but with reasonable prospect of continuing as a going concern.

The administrator would be appointed by the Court and have a responsibility to all creditors, not only the holder of a floating charge, usually a bank, as is the case with a receiver.

Banks and insolvency practitioners vary in their enthusiasm for the new appointment. Some feel the administrator will be used widely, others suggest that when a floating charge on a company exists, banks will continue to prefer to appoint a receiver.

Pressure mounts for reform of exam system

Education and training

ALISON HOGAN

THE image of the accountant is slowly changing—at least in the eyes of the young graduate choosing a career. Gone is the John Cleese creation of a boring individual who toils as an accountant but really wants to be a lion tamer.

A recent survey by Accountancy Personnel reveals that accountants are considered "to be in the vanguard of Britain's growth industries, especially in high technology and computer industries where theeir ability to adapt and develop make them highly sought after."

Of some 40,000 employable graduates seeking employment in the UK last year, around one in 10 elected for a career in accountancy. The training of accountants is big business. Peat Marwick Mitchell, the UK's *largest firm of chartered* accountants, alone took nearly 500 trainees, making it one of the country's largest employers of graduates along with the Army and industrial giants like British Telecom.

Students are attracted by salaries and security of the job. There is a high demand for accountants in industry and commerce as well as in practice and a newly qualified graduate chartered accountant, aged 25, can expect to enter a large London firm at a salary of £10.750 to £11.750.

The costs of training students have escalated in recent years and are prohibitive for some smaller businesses and practices. Partners from two accounting firms, Deloitte, Haskins and Sells and Howard Tilly, which are quite different in size, calculated that the cost of training a student for three years to pass the chartered accountant examinations was around £32,000 to £35,000.

The costs include salaries, registration, examination and institute membership fees, training courses and the costs of recruitment including brochures, visits to universities and interview expenses.

Students can expect to have to spend up to 20 hours a week studying.

There is growing pressure from within the profession to reform both the structure and content of the training and examination system. Ray Currie, training partner of Arthur Andersen considers exams to be a more important problem to tackle than the costs of training.

"High training costs are the symptom, the exams are the illness," he said at a recent training debate organised by the London Society of Chartered Accountants.

He criticised the current examination system for being old *fashioned* in its methods of assessment, unrealistic in the volume of the syllabus and unprofessional in the emphasis on cramming and disruption of professional client-work.

The Institute is assessing the workload of students. "If we conclude that students have to learn too much in the time available then we should either cut the content, introduce options, or extend the length of the course," said Mr Eric Hunt, secretary of the ICA education and training directorate.

A campaign is gaining strength within the Institute of Chartered Accountants in England and Wales to replace the present system of block release for training, with a "front-loading" system. This would involve the student undertaking an initial long period of theoretical study at an academic institution, leading to an examination, followed by a couple of years uninterrupted practical experience which would also be examined.

Front loading would probably find favour with chartered accountants in industry if the Institute breaks with tradition and allows training away from the practice office.

The Irish Institute has already undertaken a pilot study.

The English Institute has approved the idea in principle but is still investigating the opinions of accountants in industry as to the structure they would prefer.

Front loading does not necessarily solve the problem of cramming too much into the syllabus, unless the whole training period is extended beyond three years, a move which would be unpopular with young graduates.

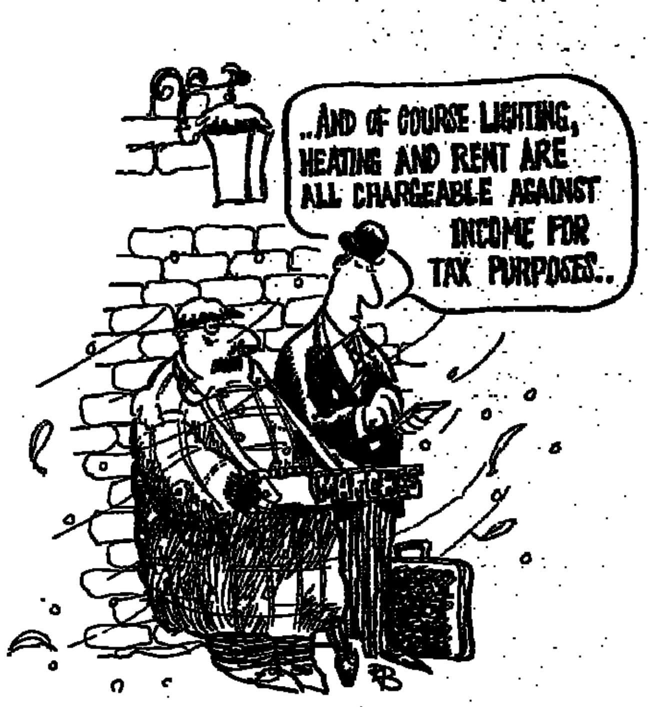
The more likely development is to concentrate on core technical subjects in auditing, financial reporting management accounting and taxation, offering some other subjects as optional courses.

The profession could then introduce a second qualification for fellowship of the Institute, based on continual assessment and an oral examination which would allow for subject specialisation and demonstrate that the accountant had developed appropriate commercial skills to complement his or her technical knowledge.

Recruitment is problem area

The small firm

STEFAN WAGSTYL



MR MICHAEL PRIOR, one of the five partners in the Manchester accountancy firm of Shepherd and Co., says: "We are here, as we always have been, to serve the smaller business."

It is an argument familiar to small firm chartered accountants across the country: Butchers, bakers and candlestick makers, not to mention pop stars and barristers, turn to the small practitioner because he offers everything they need without charging the earth. Above all, say the accountants at least, the clients value the personal touch—the feeling that it is the partners, not the office managers, who are handling their affairs.

Is this relationship changing in the mid-1980s? Are the smaller firms able to meet the needs of increasingly more sophisticated clients as well as the larger firms with specialists at their command? What are the competitive pressures, not least those provoked by the end of the ban on advertising by accountants, facing the small practitioner?

A recent survey in the small business magazine Your Business found that while the average independent company was happy with the quality and cost of basic accountancy services like the annual audit, most companies received little help in other ways such as the preparation of cash-flow analyses and management accounts or advice about installing computers.

The magazine said: "The apparent failure of most companies to receive 'extra' services above and beyond the audit is noteworthy at a time when it is these very services the profession is stressing in its bid to widen its appeal to the independent business."

The remarks echo earlier criticism from the Department of Trade and Industry accusing accountants of being inadequately aware of the needs of small companies, especially those just beginning or growing fast.

The small practitioners answer these criticisms by emphasising the new services currently available. Mr Prior offers his clients advice on choosing computer hardware and software. Mr Stewart Edwards, one of the two partners at Malcolm Wood in Birmingham, does the same. For both firms it is a fast expanding area of business—and one which demands a great deal of time and research.

Finding a way through the maze of government schemes to help small businesses has also kept accountants busier than ever over the past five years. "There are 109 forms of grant available," says Mr Prior.

Economic price

But a large firm, Hugill and Company, with six offices in London and the South-East, answers the critics more directly. "The plain fact is that a lot of small firms' proprietors have been unable or unwilling to pay an economic price for the professional help they need."

However, 60 per cent of Hugill's workload is already in areas other than traditional audit and tax.

Moreover, the firm feels that this proportion can only go up following the changes in the accountants' advertising rules. It says that smaller firms will benefit from the national advertising of their big brothers. Small firms will also gain from the freedom to publicise their own activities—Hugill's publishes journals and briefings which will now be offered to non-clients.

Hugill's says that firms of its size are "in for some shocks," as competition increases in the industry. Firms will specialise in certain types of client and standardise some services to bring down costs and make themselves more competitive.

Firms smaller than Hugill's are unlikely to respond to competition in the same way. Nevertheless they are aware of the need to offer specialist services.

Mr Edwards fills gaps in his knowledge by calling on a larger firm in his neighbourhood for specialist tax advice. Mr Prior points to the traditional network of local professionals — stockbrokers, bankers and solicitors—who have always helped each other out.

In London, Mr Michael Goldstein, a sole practitioner with offices in the West End, argues that small firms have always been specialists—specialists in the needs of small businesses, and so will retain their place in the accountancy market.

Moreover, small firms believe that they will have the edge over larger firms in costs. Mr Edwards says that the recently-opened small businesses department at the Birmingham office of one of the large international firms will never be as cheap as his firm simply because of the difference in overheads. He believes he charges about two-thirds the rate of big firms; Mr Goldstein, in London, says his charges are half those of his large rivals.

Such cost comparisons are obviously subjective, but few large firms would claim they are cheaper than the small partnerships. None are as brave as Hugill's which has published a detailed breakdown of its own accounts, showing that its pre-tax profit margin is just 14 per cent. Mr Edwards and Mr Prior estimate their margins are nearer 20 or 25 per cent, though the figures may not be strictly comparable.

But if profits seem to be no problem for these small firms at least, recruitment certainly is. The small practitioners say they cannot afford to train their own chartered accountants and those trained by large firms mostly do not want to work for a small partnership.

Those few that do, are often unprepared for the particular problems of small businesses. Mr Edwards says that his greatest worry is for the continuity of his two-partner firm. Mr Prior's firm is actively planning a merger with another partnership—partly to share its computer and partly to ensure that the 75-year-old Shepherd and Company survives to ceberate its centenary.

Harsher spotlight on accountability

Public sector

ROBIN PAULEY

ACCOUNTING for the uses to which public money is put—and to what effect—has never before been subjected to the level of detailed scrutiny which has come into full operation during the past year.

It is clear from the early results of this long-overdue spotlighting that there is still far to go before the public can be completely confident that it is getting the best possible value for the money it hands over through various forms of taxation.

The two main offices responsible for getting to grips with the way in which £130bn of public money is utilised are the National Audit Office and the Audit Commission.

The other side of the picture is the way in which Government departments, public bodies and local authorities themselves account for their money.

Local authorities now present a fuller and more comprehensive account of their expenditure to their ratepayers, and Government departments are engaged in the Financial Management Initiative through which they operate decentralised budgeting, financial planning and a general attempt to account for monies which previously have simply drained into the bureaucracy. Central government still has much further to go than local government in this respect.

Strengthened

The most important developments during the year have been in the office headed by Sir Gordon Downey, Comptroller and Auditor General, whose relationship to Parliament has been strengthened through the abolition of the Exchequer and Audit Department and the introduction of the National Audit Office which, under the National Audit Act 1983, has statutory authority to probe for economy, efficiency and effectiveness.

Sir Gordon's style has been to issue very short and readable reports which make no attempt to pull their punches. His 24-page report on monitoring and control of nationalised industries, for example, says: "... the inability in practice to achieve a level of external financing close to that originally determined either in 1981-82 or in 1982-83 provokes the question whether a limit on such financing is proving effective as a means of financial control, particularly as regards the performance expected of the industries on revenue account."

In spite of his greater powers Sir Gordon is still hampered in his work in several respects. One is that he still does not have access to nationalised industry accounts, a power which he insists he needs and wants in the longer term. Another is that he is understaffed for the magnitude of work. The new Public Accounts Commission has agreed, in spite of Treasury scepticism, to allow the NAO staff to increase by 5 per cent a year for three years so that by about early 1987 the Office should be able to devote half, rather than a third, of its resources to value for money.

There are currently about 850 people at the NAO of whom about 650 are accountants and auditors. The Office costs around £17m a year to run.

The NAO has also been able to introduce more attractive pay arrangements with scope for performance-related increments. Although still far short of some private sector salaries the NAO scales are now more competitive, partially removing one of the major disincentives to a public sector audit career.

The other new audit body is the Audit Commission which has had a very eventful first year.

The Commission came into existence in April 1983. Its two principal aims are to secure the continued integrity of local government and to help local authorities improve returns on their investment in goods and services.

Its first accounts show it has a total of 524 staff, principally the district audit service staff for which it took over responsibility. Total staff costs were £8.8m. The commission has been able to offer more attractive pay scales than the National Audit Office, although still below the salaries payable in some of the more glittering private sector firms.

This meant that in the early days of the commission it was attracting staff at the expense of the already over-stretched and under-resourced NAO, a problem which has now receded. Five Commission staff had 1984 salaries between £30,000 and £55,000 a year.

Total operating income for the 1983-84 year was £15m against operating costs of £13m leaving the commission, curiously for a public body of this type, with an operating surplus or "profit" of £2m.

More notable than the surplus, however, was the fact that the Commission's first accounts failed to be given a clean bill of health by Sir Gordon Downey. After much toing and froing the accounts were qualified because of the treatment of £22,000 in the overheads, an embarrassing blemish for the body charged with overseeing the proper auditing of the accounts of all English and Welsh local authorities.

On the positive side, the Commission has scored some notable successes. The first is that it has managed firmly to establish its independence, and early fears that it might turn into an Environment Secretary's lapdog have vanished.

More importantly the chairman, Mr John Read (chairman of the Lep group of companies), has firmly established the independence and integrity of audit under the Commission's control by refusing to yield to private firms' pressure for the right to lucrative consultancy work in authorities which they also audit.

The Commission has also demonstrated its independence by taking up its right to launch special studies which the Local Government Finance Act 1982 said were "to enable it to make recommendations for improving economy, efficiency and effectiveness in the provisions of local authority services."

Special study

The first such special study resulted in a devastating critique of the entire system under which central government allocates £8.6bn of grant to local authorities. The imperfections and inconsistencies of the system coupled with the uncertainties it produces have led total rate bills in the three years the system has operated to be some £400m higher than necessary, the commission said.

Partly as a result of this criticism, coupled the commission calls for a review of the system (and partly to defuse possible criticism from Sir Gordon and MPs), the Government has recently announced another review into the ways of funding local government.

The Commission's report was controversial, not least because of its style which was anything but academic and was published without most of the essential research needed to prove its case.

Nevertheless, it attracted widespread attention, forced the Government to respond, and clearly established that the Commission is to be its own master within its terms of reference no matter how uncomfortable that might be for either local authorities or the Government.

The third major development, the Financial Management Initiative in central government departments, is faring much less well. The initiative requires departments to account for their resources in detail and explain their future spending plans.

The problem is exacerbated by the fact that the key department, the Treasury (a policy department) privately has little enthusiasm for the initiative, although it presents a determined public face exhorting other departments to take it seriously.

Mr Peter Rees, Chief Secretary, admitted to the Commons recently that "much remains to be done"; there is little evidence thus far to back his assertion that the FMI has helped to bring about "cultural changes" in Whitehall.

SECTION II – INTERNATIONAL COMPANIES
FINANCIAL TIMES
Tuesday November 13 1984

RECORD THIRD QUARTER FOR U.S. RETAILER

K mart lifts earnings by 13%

BY OUR FINANCIAL STAFF

K MART, the largest discount store chain in the U.S., reported a record third quarter, with earnings of $92.4m or 71 cents a share, up 13.4 per cent from $81.4m or 63 cents last time. Sales also reached a record level at $4.99bn, against $4.33bn.

Comparable stores sales – these from stores open for at least a year – advanced by 12.4 per cent. Mr Bernard M. Fauber, chairman, said: "The third-quarter sales increase reflects the impact of significant merchandising improvements completed in the quarter, in addition to the acquisition of Waldenbooks and Home Centers of America.

The most gratifying sales figures are the substantial improvements in comparable stores gains, as these reflect the new merchandising strategies being implemented throughout 1984," he said.

The third-quarter performance marked the tenth consecutive quarter of earnings improvements and the sixth consecutive record quarter. The figures took nine-month earnings to $294.8m or $2.27 a share on sales of $14.22bn, against earnings of $243.7m or $1.89 a share on sales of $12.95bn last time. The latest figures were also records.

Mr Fauber said the improvement in the third quarter was "somewhat counter to the total retail sales trend, which generally softened."

He noted that additional borrowing had been required as a result of acquisitions completed in the quarter. The net overall impact on earnings for the quarter was a reduction of 5 cents a share. "This is expected to turn positive in the fourth quarter, when earnings should exceed the acquisition and carrying costs," said Mr Fauber.

Wal-Mart, the second biggest U.S. discount store chain, boosted third-quarter net profits from $42.7m or 31 cents a share to $56.8m or 42 cents. Revenues advanced from $1.16bn to $1.58bn.

This took nine-month earnings from $111.7m or 81 cents a share to $181.4m or $1.14 on sales of $4.32bn ($3.12bn).

Carter Hawley Hale, the Los Angeles-based department and fashion stores group, lifted third-quarter net earnings from $5.66m or 15 cents a share to $9m or 5 cents on reduced shares outstanding.

For the nine months the company made a loss from continuing operations of $5.4m, compared with a profit of $14.1m. Sales rose from $2.08bn to $2.5bn, with a rise from $758.4m to $906m in the third quarter.

Teleglobe draws bid from Bell Canada

By Robert Gibbens in Montreal

BELL Canada Enterprises, the Canadian telecommunications holding company, has made a preliminary proposal to buy Teleglobe Canada, which provides overseas telecommunications and is a leader in teleconferencing technology, from Canada's Federal Government.

M Jean de Grandpre, chairman of BCE, said that his company, with other telephone utilities, would be willing to pay between C$300m and C$350 ($267.1m) for Teleglobe and would also like to buy the Government's 50 per cent stake in Telesat, which operates a domestic communications satellite system. The utilities already own the other 50 per cent.

The Government has already indicated that it will sell Teleglobe to the private sector. It is the only really profitable crown corporation in the Canada Development Investment Corporation's portfolio, which also includes Canadair and De Havilland Canada.

BCE would own more than 50 per cent of Teleglobe, and the balance would be shared with provincial telephone companies, some provincially owned, according to the amount of overseas traffic they provide.

BCE operates the major Ontario and Quebec telecommunications systems and has interests in companies in the maritime provinces.

● Imasco, the Canadian retailing concern controlled by BAT Industries of the UK, is extending its drugstore interests in the U.S. Through 100 per cent owned Peoples Drug Stores it is buying Rea and Derick, a Pennsylvania chain, from American Stores of Salt Lake City for an undisclosed price.

Rea and Derick has annual sales of about $200m from 138 drugstores in Pennsylvania, New York and Maryland. The acquisition will bring total sales at Peoples Drug to well over $1bn a year.

Japan establishes two credit rating agencies

BY YOKO SHIBATA IN TOKYO

TWO CREDIT rating agencies are being set up in Japan, with the blessing of the Ministry of Finance, to assess the creditworthiness of Japanese companies seeking to issue unsecured domestic bonds.

The ministry sees the creation of the two rating agencies as part of a continuing process of opening up the domestic bond market, as well as lifting controls on the issuing by non-resident borrowers of Euro-yen bonds.

One agency is to be set up by a group of 13 banks, including 12 of the city banks (large commercial banks), the Industrial Bank of Japan and the big four securities houses – which will participate through their research institutes. Prospective shareholders are expected to meet soon to discuss the structure and operations of the agency, which they hope to set up by April.

The second group consists of four large Japanese financial institutions, Bank of Tokyo, Long Term Credit Bank of Japan, Nippon Life Insurance and Sumitomo Trust and Banking. It is understood that this group will seek a tie-up with one of the established foreign credit rating agencies.

Last April 108 Japanese companies were made eligible to issue unsecure domestic convertible bonds and 30 to issue straights. Little has resulted from this step, however, since trust banks appear to have been reluctant to undermine traditional Japanese issuing rules and collateral requirements. It is hoped that the existence of the rating agencies will help ease the way to actual issuance of unsecured domestic paper by the eligible companies.

With the opening of the Euro-yen market to non-residents on December 1, the Japanese financial community is also keen to see prospective issuers of unsecured bonds in this sector submitted to a rating procedure.

● IBM and Dow Chemical are likely to become the first non-resident companies to issue Euro-yen bonds, the Securities Underwriting Association announced yesterday. Five borrowers are expected to issue Euro-yen bonds next month in amounts of Y20bn to Y30bn and carrying maturities of five years. The association expects total volume to expand from Y100bn to Y300bn a month next April.

Lion capital settlement reached

NEW YORK – Bradford National Corporation has reached a tentative settlement with school districts and municipal entities involved in bankruptcy proceedings against Lion Capital, a U.S. government dealer which filed for protection under Chapter 11 of the U.S. bankruptcy laws in May.

Under the deal, Bradford will pay $17.5m to the districts, which were claiming about $40m.

Bradford said the settlement calls for it to retain $34m – less the payment of certain school district litigation expenses – of the collateral in Lion's account at Bradford as of the date of Lion's bankruptcy, against the $44.4m loan to Lion from Bradford outstanding at that date.

Bradford said that including interest, the total amount of its claim against Lion was $47.5m.

Under the settlement the school districts would become the principal beneficiaries of any recoveries in a separate suit, which seeks to recover $23m from Lion's limited partners.

Reuter

Two UK home loan societies merge to compete with banks

BY DAVID LASCELLES, BANKING CORRESPONDENT, IN LONDON

THE ALLIANCE and the Leicester, Britain's eighth and tenth largest building societies, yesterday confirmed their intention to merge. The merger will create the fourth biggest provider of private house purchase finance in the UK with assets of over £8bn ($7.5bn).

The combined society, which will be called the Alliance & Leicester, will have around 400 branches and 2m members and should come into existence in the second half of next year.

Mr C. J. Baker, chairman of the Alliance, and Mr G. L. Aspell, chairman of the Leicester, said in a joint statement that the merger would put the two societies in a stronger position to expand their services and take advantage of the broader powers which societies are likely to be granted by new legislation. They also expect to make greater use of advanced technology.

The merger is expected to be the first of many involving some of Britain's larger building societies. All are non-profit making but the economics of the business point to a shake-down. The Thatcher Government's proposed changes in building society legislation also suggest that in the future, fortune will favour the big.

The UK building society movement has already seen a steady concentration of assets in the hands of the big institutions. Since 1970, the five largest have held more than half the societies' total assets. Outside that select group, however, size tails away sharply.

The next five – to which both the Alliance and the Leicester belong, hold a mere 17 per cent of total assets. The greatest ambitions lie among these societies, and the dozen or so ranking behind them, which have outgrown their local origins but are not yet large enough to join the big battalions. There have already been two mergers in this group, which created the National & Provincial and the Anglia.

With their merger, the Alliance and Leicester will leapfrog into the big five without creating too much redundancy in the process. The Brighton-based Alliance's branches are mainly in the south and the Leicester's in the Midlands, though there are places, such as Northern Ireland, where they overlap.

"We're similar in size and philosophy," said Mr Roy Cox, chief general manager of the Alliance.

They also have the same Burroughs computer system, which simplifies technological problems and they have shown by their innovative steps over the last few years a common progressive outlook.

The Leicester launched its Leicestercard, which operates cash machines and entitles holders to shopping discounts, while the Alliance has teamed up with the Bank of Scotland to offer interest-bearing cheque accounts.

Mr Philip Girle, who runs the domestic banking division of National Westminster Bank, recently warned building societies about the huge costs of becoming purveyors of many financial services. In the long run, however, the societies will almost certainly look like the banks.

Tax settlement boost for U.S. health group

By Our Financial Staff

AMERICAN Hospital Supply, a leading U.S. manufacturer and distributor of health products, said fourth-quarter net income would rise by $18.8m following settlement of disputes with the Internal Revenue Service.

The disputes centred on allocation of income between the company's U.S. and Puerto Rico operations covering the period from 1977 to 1982. As a result of the settlement, reserves for income tax and related interest expense established during prior years will be reversed.

In the fourth quarter of 1983 American Hospital Supply reported earnings of $53.9m or 73 cents a share. In September this year the company settled similar disputes covering the years 1973 to 1976. This raised third-quarter net income by $2.1m to $56.9m.

Continental Group sells Georgia board mill

BY OUR FINANCIAL STAFF

CONTINENTAL GROUP, the U.S. forest products company which recently went private in a $2.75bn deal has agreed to sell its 1,200 tons-per-day bleached paperboard mill in Augusta, Georgia, for $260m in cash and an additional $45m for working capital.

The purchaser is Federal Paper Board Company of New Jersey, and the facility to be acquired consists of four saw mills, two folding carton plants and two cup and plate plants.

The deal represents a major expansion for Federal, which produces pulp and bleached paperboard at its Riegelwood, North Carolina, facility. The company reported net profits last year of $12.5m on sales of $569m, of which 51 per cent came from bleached paperboard and pulp.

Federal said it would assume a long-term wood supply agreement between the mill and Continental Augusta Woodlands.

U.S. utility seeks to diversify

MIAMI – Florida Power and Light, the Miami utility, may diversify into such fields as communications, cable television and home and office security, Reuter reports.

Stockholders will be asked at a December 12 meeting for permission to form a holding company to operate new subsidiaries. Florida Power already has a number of affiliates that purchase property, oil and other resources.

Florida Power posted a 1983 profit of $314m or $5.02 per share on revenues of $3.35bn.

INTL: COMPANIES & FINANCE

Barlow Rand lifts sales and profits

BY JIM JONES IN JOHANNESBURG

BARLOW RAND, the diversified South African industrial and mining group, increased turnover by 26.5 per cent to a record R10bn ($5.6bn) in the year ended September 30.

Operating profits before interest and tax rose by 14.2 per cent to R901.9m while attributable net profit rose 8.8 per cent to R276.1m.

Mr Mike Rosholt, the chairman, says that as expected, trading conditions deteriorated significantly in the second half and the rand's deterioration against foreign currencies caused the group as a whole to incur exchange losses of R27m on its foreign borrowing.

The group decided to eliminate the risk of further losses arising from the value of the rand and has either repaid its foreign loans or covered them forward.

Major beneficiaries of the rand's decline have been the group's export-orientated divisions. Middelburg Steel and Alloys, which is 75 per cent-owned and which exports stainless steels and chrome alloys, earned a small profit in the year, compared with a loss of R20m.

The earthmoving equipment and motor distribution division turned in record results and the coal mining subsidiaries are confident that the current year will result in improved earnings, largely due to firmer export demand and the positive effects of the weak rand.

Earnings per share increased slightly to 169.9 cents from 168.5 cents and an unchanged total dividend of 70 cents a share has been declared.

● C. G. Smith, the investment holding company controlled by Barlow Rand has reported pre-tax profits of R365.4m for the year ended September, compared with R323.1m for 1982-83 on turnover of R5.05bn against R4.11bn.

Earnings per share were 269.0 cents, compared with 272 cents and the final dividend is 75 cents for an unchanged total of 125 cents a share.

The company said uncertainty and difficult trading conditions will prevail in the year ahead, but if there is no further drop in economic activity, earnings for 1984-85 should not be less than for 1983-84.

● Nampak, the packaging arm of Barlow Rand, almost doubled its turnover from R674m to R1.31bn in the year to September but the increase was due almost entirely to the acquisition of the operations of Metal Box South Africa (MBSA), which contributed R666m. Operating profits increased to R177.6m from R109.8m with R57.1m of the increase attributable to MBSA.

Though the directors of both Nampak and MBSA believe that trading conditions will remain difficult they believe that earnings can be maintained during the current year.

Nampak's earnings increased to 200 cents a share from 179 cents and an unchanged total dividend of 70 cents has been declared.

● Continued strong demand for cement and lime lifted turnover and profits of Pretoria Portland Cement, South Africa's largest cement producer, to record levels in the years to September. Turnover rose by 20.4 per cent to R348.7m and operating profits by 23.3 per cent to R104.8m.

The company, which is 63 per cent owned by Barlow Rand, said demand for both cement and lime held up better than expected but the recession in the construction industry started to be felt in September and the directors are extremely cautious on prospects for the current year.

Earnings increased to 172.3 cents a share from 132.4 cents and the year's dividend has been raised to 43 cents a share from 35 cents.

● Romatex, the textiles and floor coverings company controlled by Barlow Rand, substantially increased turnover for the year to September and lifted pre-tax profits to R35.5m from R29.6m.

Part of the increase in turnover came from the newly-acquired Berg River Textiles but this did not have a material effect on profits. The results benefited from a surge in demand for coverings from the motor vehicle industry as car sales increased ahead of the July 1 increase in general sales tax.

Earnings per share rose to 95.5 cents from 70.9 cents and the dividend total has been increased to 40 cents a share from 34 cents. The introduction of austerity measures has sharply curtailed consumer spending. The directors say Romatex will feel the full effects of this and expect profits to fall during the current year.

Turnround at Zimbabwe Alloys

BY TONY HAWKINS IN HARARE

ZIMBABWE ALLOYS, one of the country's two large-scale ferro-chrome producers has announced a Z$11.1m turnround in pre-tax profits for the six months to September 1984 from a loss of Z$7.7m to a surplus of Z$3.4m (US$2.4m).

The Anglo-American Group-owned company said demand and prices had hardened in the six months and this combined with the strength of the U.S. dollar and the associated decline in the Zimbabwean currency had resulted in the "marked improvement" in profitability.

Operating results for the period show a swing from a loss of Z$1.7m in the comparable period last year to a profit of Z$7.2m.

Zimbabwe Alloys said that in order to secure the continued supply of the "hard, lumpy ore" necessary for its refining operations, it has bought a mine from the Inyala Chrome Company at a cost of Z$800,000.

No tax is payable on the results but the company says that, in view of its heavy loan repayment commitments, no dividend could be contemplated at this juncture. On the assumption that exchange rates remain around present levels, profits for the current half-year should be "a little better" than the Z$3.4m earned in last year's second half.

Advance for Japanese fibre groups

By Yoko Shibata in Tokyo

JAPAN'S SEVEN synthetic fibre manufacturers have lifted pre-tax profits in the half year to September 30, thanks to strong sales of profitable non-fibre products such as polyester film for VCR tapes, carbon fibres, and plastics for office automation equipment. Combined pre-tax profits advanced by 61 per cent compared with the same period of 1983-84.

Sales of Acrylic and staple fibres, and nylon for industrial use were active, but were offset by sluggish sales of polyester filament fibres due to a fall in exports to the Middle East.

By contrast sales by non-fibre divisions were brisk, centering on plastics for office automation equipment makers. For example Asahi Chemical's sales of plastic rose by 12 per cent, Toray's sales of polyester film advanced by 20 per cent, and Toho Rayon's carbon fibre sales jumped by 50 per cent.

A marked improvement in recurring profits was attributed to improved financial balances caused by a reduction in borrowings.

The polyester filament market is expected to bottom out in the remaining half year, and buoyant sales of non-fibre products are forecast, supported by brisk demand from the electronics and car making industries.

As a result, combined full-year pre-tax profits are expected to increase by 32 per cent over the previous year. In particular, Asahi Chemical is expected to report record full-year profits with non-fibre division sales reaching 72 per cent of the total.

Albaab to strengthen capital base

By Mary Frings in Bahrain

THE SHAREHOLDERS of Al Bahrain Arab African Bank (Albaab), principally the Ministry of Finance in Kuwait and the Central Bank of Egypt, agreed at a bank board meeting in Bahrain on Sunday to provide a US$30m subordinated loan payable on December 15, as a means of strengthening the bank's capital base.

In another development, Mr Ebrahim al Ebrahim, the chairman, revealed after the meeting that Albaab is negotiating to buy a European bank. He declined to elaborate on the proposed acquisition.

The subordinated loan would increase Albaab's capital funds to over US$160m before current year allocations. The bank's paid-up capital has been raised progressively from $25m to $100m over the past four years, but Mr al Ebrahim said he did not want to be saddled with more capital, on which he would be expected to pay dividends in the present banking environment.

He hinted that a stock dividend might be paid this year, although a cash dividend has not been ruled out.

Mr al Ebrahim forecast a year-end profit for Albaab, after provisions and allocations to the reserves of $15m-$16m compared with $18.9m last year.

It is understood that the settlement of a $100m syndicated credit to Shaikh Khalifa al Abdullah al Sabah, on which Albaab has over $20m outstanding, has now been arranged in two equal instalments through Kuwait Foreign Trading, Contracting and Investment Company.

APPOINTMENTS

APPOINTMENTS

New chief at Watts Blake

Mr C. D. Pike, chairman and chief executive of WATTS BLAKE BEARNE & CO, will, while remaining chairman, relinquish his appointment as chief executive on January 1, when Mr John D. Pike becomes managing director and Mr D. Mitchell, deputy managing director.

★

CARBORUNDUM ABRASIVES has appointed Mr John G. H. Hirsch as a non-executive director.

★

Mr Randle Cooke has been appointed managing director of ARA INTERNATIONAL, recruitment division of the Edman Communications Group.

★

Mr Harry Cone has been appointed assistant company secretary of NORTHERN ENGINEERING INDUSTRIES. He was group secretary of Solaglas Holdings. Mr Frank Tizzard has been appointed operations director of NEI Projects. He was general manager of Parsons Turbine Generator Services, a business unit of NEI Parsons.

★

Mr James Blyth, head of defence sales at the Ministry of Defence, has been appointed a non-executive director of IMPERIAL GROUP.

★

Mr P. M. Bunce has been appointed a director and elected chairman of P. S. REFSON & CO. merchant bank.

★

Mr Anthony Hodgson has been appointed direct sales manager of REFUGE ASSURANCE from November 19.

★

Mr Murdoch MacLennan, currently production director of the Scottish Daily Record and Sunday Mail, the Mirror's sister paper in Scotland, has been appointed production director of MIRROR GROUP NEWSPAPERS. He replaces Mr Jack Ferguson, who has resigned.

★

The ASSOCIATION OF FUTURES BROKERS AND DEALERS, which has just been incorporated, has appointed the following as directors: Mr Derek Whiting (chairman); Mr Alistair Annand (chief executive); Mr hoJn Evers, Mr Francis Holford and Mr Philip Jevons (nominated by the London Metal Exchange); Mr David Burton, Mr Nicholas Durlacher and Mr John Foyle (nominated by the London International Financial Futures Exchange); Mr Brian Edgeley, Mr John Lesser and Mr Arnost Propper (nominated by the London Commodity Exchange); and Mr Michael Leseberg (nominated by the Grain and Feed Trade Association).

★

Mr Keith King has been appointed finance director and company secretary of SIMON FOOD ENGINEERS, Stockport. He was finance manager.

★

The T. B. F. THOMPSON (GARVAGH) group has appointed Mr K. H. Cheevers, to the new post of deputy group managing director. Mr Cheevers joined the group in 1973, and the main board in 1976.

★

Sir Hugh Cortazzi, recently British Ambassador to Japan, has been appointed a director of F. & C. PACIFIC INVESTMENT TRUST.

★

Mr Brian Allison, and Mr John Banham have been appointed directors of ENGLISH CHINA CLAYS. Mr Allison is chairman and chief executive of the Business Intelligence Services group. Mr Banham is controller of the audit commission for local authorities in England and Wales and was formerly a director of McKinsey and Company, Inc.

★

SOLAGLAS has appointed Mr Iain Eaton as managing director of its glass merchanting, processing and glazing interests. New group planning and marketing director is Mr Alan Matchett.

★

NICAM (EUROPE), a member of the Nikko Securities Group, has appointed Sir Henry Beresford-Peirse, formerly a director of Fiduciary Trust (International) SA, as a director.

★

Mr Keith Barlow has resigned as senior partner of HENDERSON CROSTHWAITE & CO, stockbrokers, due to continuing ill health, but will remain a partner of the firm. Mr Keith Millar has been elected senior partner in his place.

★

Ms Jenny Griffiths has been appointed managing director of VIDEO AT HOME, a video tape library with some 1,200 outlets throughout Britain.

★

Lord Carr of Hadley, Prudential chairman, has been appointed to the board of PA STRATEGY PARTNERS.

INTL. COMPANIES & FINANCE

Debt restructure will cut losses at EFIM

BY JAMES BUXTON IN ROME

EFIM, the smallest of Italy's three state industrial holding companies, expects a substantial decline in losses next year thanks to a major restructuring of its foreign debt, agreed with bankers in the last few days.

The company, the subsidiaries of which operate in fields such as aluminium, armaments and helicopter manufacture, has taken out an ECU 250m full revolving credit.

It has also arranged the renegotiation of three loans totalling $435m. The key feature of the new borrowings is that they now include a multi-currency option which enables the borrower to choose at the start of each interest period whether the debt is in dollars or ECUs.

EFIM has also obtained lower spreads than it had to pay on the previous loans.

With the steep fall of the lira against the dollar in the past four years many Italian companies have suffered enormous currency losses on dollar debt. The ECU has been virtually static against the lira, and available lower interest rates than the Italian currency.

Last year EFIM lost L689bn on sales which totalled L4,230bn. Of this L380bn was due to provisions for currency losses and most of the rest was accounted for by debt servicing charges.

This year EFIM expects to lose about L450bn, including currency losses on the loans now being renegotiated. Although no figure is available for next year's estimated losses, the company expects them to be substantially lower than those for 1984, though there are bound to be some currency losses. Interest charges will be reduced too.

EFIM came under new management earlier this year. The restructuring of its debt follows major restructuring operations at ENI, the state energy company. There too new financial managers have sharply reduced ENI's dependence on the dollar, and have cut losses as a result.

Consafe in deal with SDS over oil drilling rigs

By David Brown in Stockholm

CONSAFE, the world's largest operator of offshore accommodation platforms, plans to expand its oil-drilling operations through the cross-border cooperation agreement with the Norwegian shipping company Sverre Ditlev-Simonsen (SDS).

Consafe will acquire a 20 per cent stake in the subsidiary SDS Drilling, a small contractor which operates two rigs. It will have an option to increase the holding to 40 per cent within two years.

SDS, the parent company, will acquire a 25 per cent stake in Consafe's Safe Tritonia rig which is now under construction for delivery in December 1985 and which is valued at between $80m and $100m.

Consafe, of its side, will take a 7.5 per cent share in SDS's Vildkat rig, valued at over $35m. Following the share purchase and rig transactions, Consafe will make a net book profit, Mr Lars Ove Nilsson, Consafe offshore's vice-president, said.

"We have targeted the North Sea as a key potential market for the Safe Tritonia, and our strategy has ben to get Norwegian interests involved to make the market easier to penetrate," he explained.

Chemetall seeks to expand in U.S. and Asia

By Our Frankfurt Staff

CHEMETALL, the specialised West German chemical company, is looking closely at ways to expand its operations in the U.S. and South-East Asia.

The company, which is a subsidiary of Metallgesellschaft, the metals and trading concern, at present operates mainly in West Germany and other European countries, although it also has production centres in Brazil and Japan.

Executives said yesterday that the company was looking to more difficult but promising markets such as the U.S., where it earned only a tiny fraction of its DM 550m ($187m) sales revenue last year.

They said that increased involvement in the U.S. might involve more exports, but could also involve co-operation with or acquisition of a local company in the field of fine chemicals and specialty chemicals.

Chemetall was hived off as a separate company two years ago as part of a strategy of giving it a sharper profile and more elbow-room to exploit market niches.

It is involved in rust prevention, glass technology, and other chemical and metallurgical processes

Munich Re looks to investments for profits

By Jonathan Carr in Munich

MUNCHENER Rückversicherung (Munich Re), the world's largest reinsurance company, expects another profitable year with premium income rising by about 4 per cent to DM 10.4bn ($3.54bn). It says dividend will be maintained at 18 per cent.

Herr Horst Jannott, chief executive, stressed that reinsurance activities would probably bring a loss similar to last year's DM 431m. Only Munich Re's "general business"—mainly income from

Herr Horst Jannott: loss expected on reinsurance

DM 11.3bn worth of investments — would enable the company to stay comfortably in the black.

Last year, to June, 1984, Munich Re raised profit from "general business" to DM 509m, from DM 424m, with income growing faster than costs.

After allowing for the reinsurance losses and boosting reserves, net profit was DM 44m which just covered the dividend. The 1982-83 net profit was DM 35m.

One reason for the gloomy reinsurance outlook this year is the damage caused by the freak hail storm in the Munich region in July.

This disaster—the second worst in the company's 104-year history—would cost Munich Re well over DM 100m. It wiped out the benefit from a reduction in the number of large, individual claims.

Beyond that the bulk of reinsurance business remained unsatisfactory, especially the industrial fire and liability sectors at home and abroad.

Detailed profit and loss figures for last year show that the overall reinsurance loss of DM 431m, against DM 370m in 1982-83, broke down as: loss from the fire sector increased to DM 287m, from DM 187m; Loss from liability business rose to DM 140m from DM 46m; loss from the vehicle sector rose to DM 65m from DM 42m. A profit of DM 5.9m in aviation in 1982-83 turned into a loss of DM 13m.

But a loss on "other sectors" including credit, legal aid and technical insurances, was cut to DM 21m from DM 154m; loss on transport dropped to DM 6.6m from DM 26m; and profit on accident reinsurance rose from DM 23m to DM 24m, and in the life sector from DM 56m to DM 78m.

Court gives GBL time to resolve Dupuis takeover

BY PAUL CHEESERIGHT IN BRUSSELS

GROUPE Bruxelles Lambert, the second largest of the Belgian's industrial and financing holding groups, has won a 60-day breathing space in its effort to win control of Editions Dupuis, the Belgian publisher of magazines and cartoons.

An agreed bid by GBL and Hachette of France for Dupuis appeared over the weekend to have been re-empted by a higher offer from Editions Mondiales.

But an action brought by GBL to the Commerce Tribunal in Brussels has led to the shares of Dupuis being taken under court control. The order stops Dupuis negotiating with Editions Mondiales, and gives GBL two months to sort the situation out.

GBL and Hachette agreed a month ago to buy 80 per cent of Dupuis for BFr 1.35bn ($22.6m) The deal had been announced. GBL had won the acquiescence of the unions and new investment plans had been publicised. But the final contracts had not been signed.

The Belgian financial group was to have taken 32 per cent of Dupuis with a 48 per cent shareholding going to Hachette. However, over the past few days Dupuis has plainly had a change of heart, pushing through a counter-deal with Editions Mondiales.

Dupuis is well known for cartoon books and magazines, including Gaston Lagaffe, Spirou and the Smurfs. It employs 750 people at a plant near Charleroi.

The proposed purchase of Dupuis is part of the major expansion in GBL activities since a group led by Mr Albert Frere gained effective control of the group in 1981.

GBL's thirst for capital has been almost insatiable, and the Dupuis affair has burst into the open just as GBL sought shareholders' approval for a one-for-four rights issue to raise BFrs 6.37bn.

This is GBL's fourth rights issue in three years. At BFr 1,825 a share, the issue price is at a substantial discount to the recent market price of around BFr 2,320. Around 60 per cent of shareholders have signified they will take up their rights.

Holzmann orders shrunk by generally weak markets

BY JOHN DAVIES IN FRANKFURT

PHILIPP HOLZMANN, one of West Germany's leading construction groups, is benefiting from the building revival in the U.S. but feeling the effects of weak markets elsewhere.

New orders inflow in West Germany in the first nine months of 1984 was down 22 per cent less on a year ago, the company said yesterday.

But the inflow from abroad was 24 per cent greater than the low intake a year ago, because higher U.S. orders more than offset a decline elsewhere.

Even so, the value of all group orders on hand at the end of September was DM 7.8bn, down DM 1bn or 11.9 per cent.

Jobs on hand in West Germany were down 14.7 per cent at DM 1.9bn, while abroad orders were worth 11 per cent less at DM 5.9bn. Only the U.S. subsidiary operations registered an increase in the value of work on hand.

The value of Holzmann's building activity in the first nine months was up 8.7 per cent at DM 6.18bn, partly because of a large volume of work on hand in West Germany and the finalising of large projects in Saudi Arabia.

Holzmann expects "another satisfactory result" this year. It made group net profits of DM 49m last year on building activity of DM 7.9bn and paid a DM 1 bonus in addition to its DM 10 dividend per share.

Demand for home-building and commercial construction was continuing to taper off, it said.

On the other hand, public authorities were giving out slightly more contracts, now that they had made progress in reducing their budget deficits.

A revival of construction work in oil producing countries and developing nations was unlikely in the near future.

Statsforetag shows major improvement

By Our Stockholm Staff

STATSFORETAG, the Swedish state owned holding group currently being extensively restructured, reports improvements in virtually all units.

Turnover adjusted for the sale of several units, rose by 13 per cent to SKr 7.6bn ($896m), and operating profits climbed by 10 per cent to SKr 447m.

At the pre-tax level gains extended to 70 per cent — to SKr 400m — following a SKr 122m improvement in net financial items,

Statsforetag has broadly restructured its textile operations, has sold several lower loss making divisions and has created a new retail grocery division.

The bulk of group earnings, SKr 343m, was generated by the Procordia unit which controls most of Sweden's tobacco trade.

Company Notice

CONSOLIDATED COMPANY BULTFONTEIN MINE, LIMITED
GRIQUALAND WEST DIAMOND MINING COMPANY
DUTOITSPAN MINE, LIMITED
(Both Incorporated in the Republic of South Africa)

DECLARATION OF DIVIDENDS

NOTICE IS HEREBY GIVEN that the directors of the abovementioned companies have declared dividends in respect of the six months ending 31st December, 1984, payable to shareholders registered in the books of the respective companies on 28th December, 1984. The dividends have been declared in the currency of the Republic of South Africa.

Warrants will be posted from the Kimberley and the United Kingdom offices of the transfer secretaries on or about 5th February, 1985. Registered shareholders paid from the United Kingdom will receive the United Kingdom currency equivalent on 2nd January, 1985 of the rand value of their dividends (less appropriate taxes). Any such shareholders may, however, elect to be paid in South African currency, provided that the request is received at the offices of the companies' transfer secretaries in Kimberley or in the United Kingdom on or before 28th December, 1984.

The ordinary share transfer registers and registers of members will be closed from 29th December, 1984 to 11th January, 1985, both days inclusive.

The effective rate of non-resident shareholders' tax is 15 per cent.

The dividend is payable subject to conditions which can be inspected at the head and London Offices of the companies and also at the offices of the companies' transfer secretaries in Kimberley and the United Kingdom.

Company	South African Currency Per Share
Consolidated Company Bultfontein Mine, Limited	4.5 cents
Griqualand West Diamond Mining Company, Dutoitspan Mine, Limited	20.5 cents

By order of the Boards
For and on behalf of
ANGLO AMERICAN CORPORATION OF SOUTH AFRICA LIMITED
London Secretaries
J. C. GREENSMITH

London Office:
40 Holborn Viaduct
London EC1P 1AJ

Office of United Kingdom Transfer Secretaries:
Hill Samuel Registrars Limited
6 Greencoat Place
London SW1P 1PL

13th November, 1984

TOKYU DEPARTMENT STORE CO. LTD
Notice to EDR Holders

Further to Notice of August 7, 1984 The Chase Manhattan Bank, N.A. announce that the interim cash dividend of Yen 3.50 per share has been converted to U.S. Dollars and amounts to US$14.26 gross per EDR. All presentations will be subject to deduction of Japanese withholding tax (if any) at the appropriate rates and representative payments will be US$11.41 net after deductions of 20% Japanese withholding tax or US$12.12 net after deduction of 15% Japanese withholding tax depending upon the residential status of the claimant and the application of any Double Tax Treaty concluded with Japan. Affidavits will be required in all cases where a withholding rate of less than 20% is to be used.

Accordingly, EDR holders may present coupon No. 11 forthwith at The Chase Manhattan Bank, N.A., Woolgate House, Coleman Street, London EC2P 2HD or at Chase Manhattan Bank Luxembourg S.A., 47 Boulevard Royal, Luxembourg or at Morgan Guaranty Trust Company of New York, Avenue des Arts 35, 1040 Brussels or at Kredietbank S.A. Luxembourgeoise, 43 Boulevard Royal, Luxembourg.

Notice is also given that the summary of income of the above Company for the six months to July 31, 1984 is as follows:–

		(Yen Millions)
Net Sales		128,822
Cost of Sales	101,098	
Depreciation	995	
Rentals	2,927	
Selling, General and Administration Expenses	21,084	
Net Interest	939	
		127,043
		1,779
Other net income		834
Income before taxes		2,613
Provision for taxes		1,231
Net income		1,382

THE CHASE MANHATTAN BANK, N.A.
London, as Depositary.
November, 1984

UK COMPANY NEWS

Automotive boost for Lucas profit

Lucas Industries, the aerospace and automotive components and systems group, made a substantial recovery in the year to July 31, 1984. Pre-tax profits climbed from £2.1m to £32.6m thanks to a near £28m turnover on the automotive side. Turnover was £180m higher at £1.4bn.

As in previous years, there was a significant improvement in trading results in the second six months, with turnover for that period at £738m, up 17 per cent on last time, and pre-tax profits £21.8m higher at £29.1m.

Trading profits for the year rose from £45.5m to £65.9m. After share of related companies profits of £2.5m (£0.8m losses) and lower net interest costs of £20.5m (£24.6m), there was an operating surplus of £47.9m—more than double last year's figure of £20.1m.

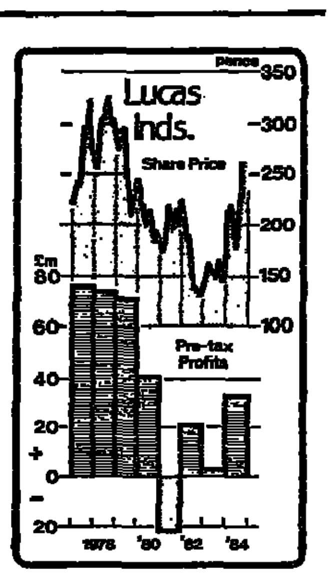
Pre-tax results were struck after reduced redundancy and closure costs of £15.3m (£18m). Tax took £14.3m (£12.3m) and after minorities, attributable earnings were £18.9m, against the previous year's loss of £12.8m. There was also an extraordinary debit this time of £5.3m.

Earnings per £1 share were stated as 17.8p (13.5p losses) basic, or 16.9p (12.9p losses) fully diluted. The final dividend is unchanged at 6p net for a same-again total of 8.6p, costing £8.2m (same).

Full year sales of the group's UK operations, including related companies', were up 15 per cent to £883.5m. Operating profits rose to £17.7m (£1.4m losses) and after charging reorganisation and redundancy costs, the pre-tax surplus was £3.7m (£17.7m deficit).

Overseas sales were ahead £67.7m at £514.7m and pre-tax profits rose by 28 per cent from £20.5m to £26.3m. Direct exports from the UK increased by 17 per cent to a record £278m and reflected the improved trading climate both in Continental Europe and overseas.

Mr Godfrey Messervy, the chairman of Lucas Industries . . . he automotive side swung round from losses of £17.7m to profits of £10.5m



was a major improvement in the trading results of the vehicle equipment businesses. Worldwide sales, including share of related companies, were 13 per cent higher at £1.12bn, and profit before tax of £10.5m compared with a loss of £17.2m in the previous year.

In the UK, with vehicle production at its highest level for four years, demand for original equipment, which had started to pick up in the second half of 1982-83, continued in line with expectations, but demand in the aftermarket remained disappointing with little increase overall. Further reorganisation and restructuring was necessary in selected areas of the group's UK manufacturing facilities during the year.

The operating loss in the UK on automotive equipment was £1.1m (£20.4m) and the loss before tax amounted to £12.4m (£33.1m) after charging £11.3m (£12.7m) for reoganisation, redundancy and closure costs.

The group's European subsidiaries recorded a modest increase in demand. The Lucas CAV companies manufacturing diesel fuel injection equipment in France and Spain both achieved significantly better results. The Lucas Girling braking equipment companies in France and Germany increased their market share, but the German business was adversely affected by the six-week strike by the IG Metall Union towards the end of the year. Additionally, the Spanish braking equipment business had a difficult year.

Following protracted and unsuccessful attempts to agree acceptable plans with our French partners, Lucas sold its 50 per cent interest in the loss-making partnership, Ducellier et Cie, in April for a nominal sum which resulted in an extraordinary loss of £3.4m.

The Italian related company, Fausto Carello, manufacturer of lamps, had a good year with increased sales and profits. Overall, including the share of related company results, European automotive operating profits rose by £1m to £7.6m.

Outside Europe, group companies improved their overall performance with sales £31.7m (15 per cent) higher at £237.9m and operating profits were £5.6m (£51 per cent) ahead at £16.6m.

The U.S. businesses achieved significantly better results but continued to make a small overall loss: the slow recovery in the demand for diesel cars in the U.S. continued to depress the performance of Lucas CAV's production plant at Greenville, South Carolina. However, Lucas Girling's newly commissioned truck brake facility at Cincinnati made excellent progress and achieved profits several months earlier than forecast.

sales of aerospace equipment at £269.2m were £14m higher than the previous year and the profit before tax was £1.3m ahead at £16.7m. In the UK the sales volume was maintained—the lower demand for equipment and systems for civil aircraft being offset by increased volumes for military aircraft and missile projects.

The industrial businesses which cover a wide range of electrical, electronic and hydraulic components, equipment and systems, had a very satisfactory year. Sales increased by £4.6m (13 per cent) to £125.8m and profits rose by £1.5m (38 per cent) to £5.4m.

See Lex

FMC pref repayment

Repayment of its £2.15m 4.4 per cent redeemable preference and £2.15m 4.45 per cent cumulative preference £1 shares is proposed by FMC. Terms are £1 cash for each share and holders will be entitled to the dividend accrued between October 31 1984 and the repayment date.

Now that FMC is a subsidiary of Hillsdown Holdings, maintaining a listing olely for its preference shares is considered a disproportionate administration burden and expense.

Separate class meetings and an extraordinary general meeting to consider the repayment and cancellation of the preference shares will be held on December 4.

LAI convertible issue to Pru

London & Associated Investment Trust yesterday unveiled a highly unusual deal by which it will raise £1m from the private issue of an unquoted partly convertible debenture to the Prudential Assurance Company.

The trust is proposing to issue £550,000 of 10½ per cent convertible debenture stock 2010 and £420,000 of 10½ per cent non-convertible debenture stock 2010 to the Prudential for cash at 98p per £1 nominal value.

None of the issue will be quoted on the Stock Exchange, but full conversion would give the Prudential a 20 per cent stake in London & Associated's issued share capital.

The funds will be used to accelerate the trust's programme of building up its retail property portfolio. Mr Michael Heller, the chairman, said: "It seemed a logical way to extend the activities of the group by introducing a long-term institutional investor. A million pounds seemed a lot of money for individuals to raise."

London & Associated is just over 62 per cent owned by Mr Heller and his family, and there are a further 3,000 private investors, who will be asked to approve the scheme at an extraordinary meeting on Wednesday, December 5. "The professional advisers with whom we have taken sounding have reacted very favourably," said Mr Heller.

The debenture yields between two and three percentage points less than comparable non-convertible listed instrument. The convertible element is designed to compensate for the comparatively low yield without having to offer fully-convertible stock and expose existing shareholders to even greater dilution.

A spokesman for the Prudential said: "They were looking for long-term money but wanted to pay something less than for a quoted instrument. Obviously, we are always looking for long-term homes for our money."

ACT to raise £13m for U.S. venture

Applied Computer Techniques, the business personal computer group, is to raise £12.8m to set up a company to distribute its products in the U.S.

The group will own 20 per cent of Apricot, the holding company of Apricot Inc which is being set up with an initial capital of $20m.

Nearly 30 per cent of the equity of the new company has been placed with financial institutions. The remaining 51 per cent is being offered for subscription with preference being given to existing ACT shareholders on the basis of one Apricot share for 50 ACT shares.

Apricot Inc has signed an exclusive agreement with the former distributors of Apple Computers in the U.S. and hopes to have recruited 250 dealers by January 1985 when the products are expected to go on sale. Apricot Inc is expected to make a $5m loss on a turnover of $33m in the first year and a profit of $15m on a turnover of $151m in the third year.

The former Apple distributors will also be able to subscribe to up to 10 per cent of the equity of Apricot Inc subject to their sales performance.

Shares in the new company are to be floated when it has reached a sufficient level of profitability. Until then, a market in the shares will be made by Singer & Friedlander, the issuing house, and J. Henry Schroder Wagg, through its securities associate.

Applied Computer has a right to buy back up to 40 per cent of the shares it does not own which would give it a controlling interest. Apricot shareholders also have an option to convert their holding into ACT shares.

If Apricot Inc fails and all the shareholders take up their rights there would be a maximum dilution of ACT's equity of 9.2 per cent.

The shares being placed or offered for subscription are being sold in units of five for £8, of which two "B" shares can be called in by ACT. At any time up to December 31 1987 ACT may buy the "B" shares on the basis of three of its own shares for every five Apricot or at 180p (the subscription price) whichever is higher.

Apricot shareholders will be able to take up the three-for-five share offer at any time after the end of 1987 until it is publicly quoted for both the "B" and "C" shares.

There will be a total of four classes of shares with equal voting and dividend rights. The "A" and "D" shares will be held by ACT, the former Apple distributors and company executives.

A & M to overcome offshoot setback

A. & M. Hire suffered a "minor setback" in the six months to July 31 1984 when D. Jordan & Sons, acquired for cash last June, made little contribution to profit.

Because planning problems have been encountered with the offshoot's new warehouses, it is unlikely to do so in the second half, but Mr Christopher Maclean, the chairman, remains optimistic about the outcome for the full year.

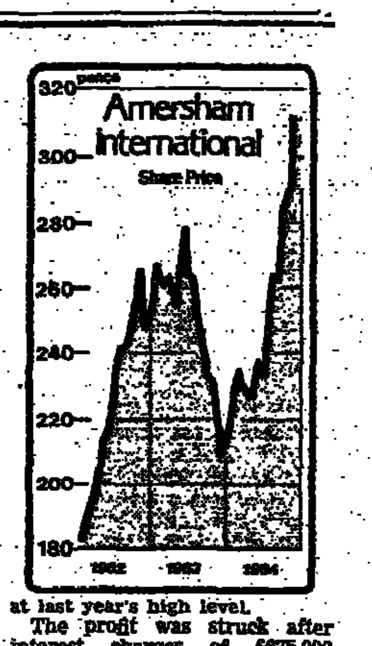
Taxable profit rose by £59,000 to £419,000 in the period, which Mr Maclean regards as "encouraging," given the prolonged BBC strike. Turnover was up from £542,000 to £701,000. The group is a hirer of furniture and equipment to the theatrical and entertainments industry, and obtained a USM quotation in September 1983. In the last full year it met its prospectus forecast with pre-tax profits of £706,000.

There is no interim divdend for the period, as last year, but the directors will recommend a "substantial increase" from 0.1p net per share in respect of the previous 10 months. After tax of £53,000 (£13,000), earnings per share are stated at 0.63p (0.79p).

The chairman says that demand from the major TV and film companies for the group's antique furniture and equipment remains high, and this should be reflected in the second half performance.

Jordan's is expected to be relocated in the new warehouses adjacent to A & M's existing operations later this month, so the full benefit of the acquisition will not be seen until 1985.

Amersham up by 24% and rising



HELPED BY favourable exchange rate movements, Amersham International has increased its turnover by 22.6 per cent to £50.69m and its profit before tax by 24 per cent to £8m in the half year ended September 30 1984.

Chairman Sir John Hill describes this as "sound progress," and forecasts further progress for the second half; the interim dividend is raised from 1.8p to 2.2p net. In the year ended March 31 1984 the group made a profit of £13.73m and paid a total dividend of 5p. It is engaged in the development, manufacture and sale of radioactive and related materials for use in medicine, research and in industry.

Sir John says sales have continued to move ahead strongly in all businesses, particularly in the research and industrial sectors.

In medical products, they were affected by the slower growth in the overall market brought about by government programmes to reduce health care spending.

Good progress was made both in increasing sales of current products and in the development of new ones, especially those based on the enhanced luminescence technology.

Research products continued to grow rapidly, capitalising on the expansion of biotechnology markets. The improved performance of industrial products seen during the second half of 1983-84 has continued.

Both industrial and research products benefited from exchange rate movements, as did medical products but to a lesser extent.

Sales expansion took place in all world-wide markets with particularly good performances in Continental Europe and the Far East, Sir John says.

The planned growth of investment in research and development has continued with expenditure increasing by 29 per cent, maintaining the proportion of sales reinvested in this activity at last year's high level.

The profit was struck after interest charges of £675,000 (£368,000). Tax takes £2.95m (£2.1m) and minorities £513,000 (£486,000) to leave the attributable profit at £4.55m (£3.88m). Earnings are 9.1p (7.8p). Although higher in the first half, the effective rate of tax over the year is not expected to be significantly different from 1983-84.

See Lex

Access Intl. 150p tender offer

L. Messel is offering for sale by tender 3m shares in Access Satellite International at a minimum tender price of 150p per share.

The company, which reversed into Morland Securities, a USM quoted property company, has as its principle business the manufacture, sale and hire of work platforms for the construction and civil engineering

Access will have a market capitalisation of £23.8m at the minimum tender price of 150p and is being sold on a historic p/e of 29.41 based on a 49.6 per cent notional tax charge.

In the year to April 1984, it made pre-tax profits of £1.38m on turnover of £3.323m. There are no half-year figures to end October or profit forecasts for the current year.

The platform which Access manufactures was developed in 1982 by Mr John Garton, managing director. Since then it has concentrated most of its activities on this platform.

The directors consider the sales and hire potential of this platform is "excellent," due to savings in costs and time compared with conventional scaffolding.

The main shareholders in Access are Mr Garton and the chairman Mr Martin Wardman, who in addition to his personal stake of 500,000 shares has a 32.5 per cent in Deblinaire. This private company, engaged in equity linked lending and leasing, arranged the initial funding for the Access Satellite platform and will have a 29.6 per cent stake in the company after flotation.

In the year to April 1984 two managament contracts were entered into with Deblinaire and Carolina Bank for a total of 43 platforms. Under these contracts a company buys the platforms while Access manages the hire of them. Access has a further 86 platforms for hire and a further 79 in stock. It sold 75 machines of which 20 went to the U.S.

Subscription lists for the offer for sale open on Friday, November 16. Letters of acceptance will be posted on Friday, November 23 and dealings commence on Monday, November 26.

● comment

The pressure to conclude the reverse takeover of Morland Securities by Access Satellite International and get the new shares quoted has resulted in a poorly timed and ill presented offer for sale at an extremely ambitious rating. There has, quite simply, been insufficient time to demonstrate the true prospects for this platform and it is little encouragement to the prospective investor to be told things have been much better recently without any facts to back the assertions of exciting prospects which warrant a 29 times PE and that at the minimum tender price. A delay of a few weeks to include a profits forecast for the current year, or at the minimum interim figures to October would have given some more substantial basis for the offer. A couple of management contracts with companies that do not have to prove their arms length position would also have been reassuring. The work platform may indeed prove to send scaffolding crashing around the world, but it is a risk which at this stage in production and at this price, is not worth taking.

UK COMPANY NEWS

Disappointing three months for FIH

THE SECOND quarter of 1984-85 saw no real increase in activity for some divisions of Ferguson Industrial Holdings, and the interim result showed little change with trading profit of £3.2m, against £3.27m.

At the pre-tax level the half-year profit came out at £2.86m, compared with £2.81m, which is below the directors' earlier expectations after £1.57m, for the first quarter, says the chairman, Mr Dennis Vernon, and "we cannot expect much more than last year in terms of our final results."

Retail sales in the High Street, on which the printing and packaging division largely depends, were high in September and "we expect our third quarter to be good." Previously, the third quarter produced £1.98m and the full year £6.51m. The interim dividend is held at 2.5p per share from earnings of 6.2p (7.2p) after a higher tax charge.

Mr Vernon says sales from the still expanding printing and packaging side rose 12 per cent to £18.97m for the half year and trading profit was £252,000 higher at £2.33m. The acquisition of Hind Hoyle & Light, a printer of labels and blister packaging cards, will make a £200,000 contribution in the second half.

Some of the areas in which the building supplies division operates were affected by the miners' dispute, and "all became very competitive." Sales fell from £37.38m to £36.34m and, with bad debts being £150,000 above the normal figure, profit was down from £1.14m to £794,000. The final result will not equal last year's, the chairman says.

Construction has been particularly difficult in the north and, as some contracts are not performing well, a loss of £100,000 has been provided (profit £34,000) on a turnover of £10.03m (£9.44m). It is some consolation that manufacturing has turned round from a £49,000 loss to a £178,000 profit, says Mr Vernon, with turnover at £4.53m (£5.28m).

The profit before tax took in a reduced share from associates of £32,000 (£181,000), but that was outweighed by lower employees' profit sharing £337,000 (£404,000) and interest charge £146,000 (£307,000). The tax provision came to £1.23m (£972,000).

Mr Vernon says the possibility is being considered of floating off part of the printing and packaging division and a decision will be taken in the next few months. Such a move seems likely to involve a stake of around 30 per cent of that side of the business and raise some £10m for Ferguson.

"We feel the printing and packaging division could operate better if it was on a slightly looser rein," the chairman says. It has not yet been decided if the money raised will be ploughed back into that division or be used to build up the other part of the group.

● comment

On a buoyant day for the market as a whole, the 18p collapse in Ferguson's price yesterday — to 148p — is clear enough evidence that something has gone wrong. The fault lies partly with an over-optimistic market, partly with the company's previous reluctance to admit that its present growth phase is flattening out. The printing and packaging business is now more than ever the powerhouse, and there are tentative plans to float off a third of it for some £10m. Along with the advantages of giving this division and its management greater autonomy comes the problem of what to do next. There seems to be a clear commitment to the original builders' merchant business beyond the present cyclical downturn, and along with printing and packaging this is seen as the basic expertise of the group's management. Despite the £200,000 due in the second half from the Hind Hoyle & Light acquisition, full year pre-tax may be little different from last year's £6.5m. On the increased tax charge of 43 per cent, this puts the prospective multiple at around 11 — not particularly cheap, but probably sustainable.

BOARD MEETINGS

TODAY

Interims: Ambrose Investment Trust, Anglo American Coal, Audiotronic, Compsoft, De La Rue, Electra Investment Trust, GEI International, General Funds Investment Trust, A. Goldberg, Land Securities, F. H. Lloyd, 1928 Investment Trust, Oxford Instruments, Seccombe Marshall and Campion, Sungei Besi Mines Malaysia.

Finals: Ayer Hitam Tin Dredging Malaysia, Bellway, Burton.

FUTURE DATES

Brown Shipley	Nov 16
Butterfield-Harvey	Dec 13
Capital and Counties	Dec 4
Gartmore American Securities	Nov 20
LRC International	Nov 21
Leigh Interests	Dec 3
Parkland Textile	Nov 27
Powell Duffryn	Nov 22
RTD	Nov 21
Ruddle G.)	Nov 15
TR Technology Invest. Trust	Nov 15
Finals—	
Atlanta Investment Trust	Nov 16
BOC	Dec 6
Barton Transport	Nov 16
Devenish (J. A.)	Dec 5
Moggatt Bowers	Nov 19
Stewart Nairn	Nov 14
United Wire	Nov 29

Acquisitive Equipu has listing and rights plans

By William Dawkins

Equipu, the USM-quoted office equipment leasing and servicing group, yesterday announced its fourth acquisition this year, a £1.53m rights issue, and plans to graduate to a full listing.

The Bristol-based company is paying an initial £1.85m in an agreed offer for Purdie & Kirkpatrick, a Glasgow-based company similar to itself with five branches in central and southern Scotland.

Purdie & Kirkpatrick's profits rose from £50,000 before tax to £216,000 in the year to last April on turnover up from £4.8m to £5m. Equipu estimates that its own taxable profits in the first six months to October climbed from £364,000 to £550,000, including about £60,000 from new acquisitions.

Equipu is paying £300,000 in cash, with the rest to be made up from the issue of £945,122 shares, or 14 per cent of the enlarged equity. Mr Grant Purdie, chairman of Purdie & Kirkpatrick, will end up with an 11.3 per cent stake in the combined group and join the Equipu board.

There will be a further payment of up to £1m, dependent on Purdie & Kirkpatrick's performance in the two years to April 1986. Equipu is offering to pay the equivalent of 50 per cent of the company's taxable profits over the period, to be satisfied by further share issues. But if the extra payment exceeds 10 per cent of Equipu's equity capital, it will make up the difference in cash.

Mr Philip Bradshaw, Equipu's chairman, said the acquisition would extend the group's geographical range and was part of a long-term plan to achieve national coverage. Purdie & Kirkpatrick's profitability could be improved by making use of the buying power of a larger group and by concentrating more on photocopier servicing contracts based on meterage.

Equipu is also issuing 1,166,813 new shares through a one-for-four rights issue at 143p per share, which compares with yesterday's market price of 165p, down 5p. Its directors will be taking up only 4,500 shares from their entitlement of 565,409 shares, which will dilute their stake in Equipu from 48 per cent to 40 per cent. The board proposes to raise the interim dividend on the enlarged equity from 1.3p to 1.4p net.

Merchant bankers Robert Fleming have underwritten the issue, and the new shares are being distributed by the brokers Stock Beech. Dealings are expected to open on the full market on November 29, almost three years after Equipu joined the USM.

● comment

Equipu has spent the past 12 months making full use of its USM paper to pick up acquisitions in a fragmented industry scattered with takeover opportunities small enough for even a company of its size to digest. The strategy seems to be to improve candidates' margins by pushing their products through its established sales network, while expanding geographically and sowing the seeds of a micro-computer business to counter-balance the dominance of photocopier distribution and servicing within Equipu. Purdy and Kirkpatrick fits the bill in most respects. And like the Datalink acquisition before it, the company includes an IBM dealership which would have been far more costly to establish independently. The only proviso is how effectively Equipu's middle management will be able to handle the extended group. At any rate, the strength of its core business looks enough to pull Equipu's full-year profits to around £1.5m pre-tax. That leaves the shares at 165p on a moderate ex-rights multiple of 8.4, assuming a 30 per cent tax charge.

Associates hit Hunting Gibson at six months

A sharply lower contribution from its associates has left Hunting Gibson, the shipbroking, computer services and property refurbishment group well behind at the six months stage.

Pre-tax profits for the period to June 30 1984 fell by £421,000 to £304,00 after taking in a £254,000 share of related companies' profits, compared with a previous £646,000.

The tax charge was reduced from £398,000 to £185,000 and minorities accounted for £104,000, against £155,000. The interim dividend is being held at 2p net.

Turnover fell from £7.63m to £6.34m.

For the year to December 31 1983 group pre-tax profits picked up from a depressed £2.25m to £2.74m.

However, he thought it might be another year before the recovery was fully reflected

Regalian surges: Tarmac link

FIRST HALF profits of Regalian Properties have exceeded those of the previous full year.

At the pre-tax level they advanced from £439,000 to £835,000 and the interim dividend for the period to September 30, 1984 is being stepped up from 0.75p to 0.85p net per 25p share on enlarged capital.

Profits for the 1983-84 year totalled £786,000 and Mr L. Walton, the chairman, looked to the future with confidence.

● Regalian Properties and Tarmac Construction are to form a joint venture to carry out urban renewal projects. A wide range of activities is envisaged but the prime target will be the refurbishment of old housing stock, the marketing aimed principally at first-time buyers.

● comment

So far so good for Regalian Properties. It has made an early and very successful entrance into the urban renewal residential market with Battersea Village, soon to be repeated down in the London Docklands. It is also making good profits on the refurbishment of London apartment blocks bought at cost from Davstone, the private company of Regalian chairman David Goldstone, but the market is likely to get tougher from now on. The types of apartment blocks Regalian refurbishes so well are hard to find and will not be at the favourable price that the first batch came at. Property developers and local autorities are also quickly catching on to the potential of urban renewal. Regalian has proved an astute operator to date and the joint venture with Tarmac Construction to carry out renewal projects looks like a prompt response to possible capital constraints on the company's desired pace of development. The strong improvement shown in first half profits could continue into the second half to produce pre-tax profits for the year to March 1985 of around £1.9m. The shares rose 2p to 78p yesterday, suggesting a p/e of 6.6 and a yield of 4.7 per cent on a 3.75p gross dividend.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corre-sponding div.	Total for year	Total last year
Amersham Intl.	int.	2.2	Jan 7	1.9	—	5
A. & M. Hire	int.	Nil	—	Nil	¶	0.1‖
CCL Group	int	2**	Dec 2	3	—	8.4
Ferguson Ind.	int.	2.5	Jan 3	2.5	—	6.5
Hunting Gibson	int.	2	Dec 11	2	—	6
Lucas Inds.		6	—	6	8.6	8.6
Murray Growth		1	Jan 23	1	1.4	1.4*
Murray Growth	int.	0.4	May 20	0.4	—	1.4
New Throgmorton	int.	1	Jan 15	1	—	2.25
Outwich Inv.	int.	1	—	0.75	—	2.6
Regalian Props.	int.	0.85†	Jan 7	0.75	—	2.5
Scottish Nat. Tst.		2.95	—	2.7	4.25	3.9
TR North America	int.	1	Jan 4	1	—	3.4

Dividends shown pence per share net except where otherwise stated.
* Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock. ¶ "Substantial increase" in total forecast. ‖ For 10 months. ** OTC stock.

BIDS AND DEALS

Brokers can act for Grovebell

THE HIGH COURT yesterday gave the go-ahead for stockbrokers **Statham Duff Stoop** to act for **Grovebell Group** in its £3.6m contested bid for **Atlanta Investment Trust.**

Atlanta had obtained a temporary injunction on October 24 preventing the brokers from "acting for or advising" Grovebell in the takeover bid.

Statham Duff Stoop had had connections with both parties to the bid. Statham said last month that it had ceased to act for Atlanta, though the trust maintained that the firm remained its joint brokers.

Lifting the injunction yesterday, the High Court ordered Atlanta to pay Statham's legal costs.

Grovebell has offered 17 of its shares for two Atlanta shares, valuing each Atlanta share at 119p at yesterday's closing Grovebell price of 14p, down ½p. There is a cash alternative of 127.5p per Atlanta share, compared with yesterday's closing price of 123p, down 3p.

Tootal wary of Australian motives

BY ANTHONY MORETON, TEXTILES CORRESPONDENT

Tootal has made approaches to the Australian company Entrad to try to discover what is behind the Sydney company's buying of its shares in recent weeks.

Mr Alan Wagstaffe, chairman of Tootal, one of the big four vertically integrated British textile companies, said yesterday he had written to Entrad following reports that the Australians wanted to build an "influential" holding in the British company.

Entrade Investments, a wholly-owned subsidiary of Entrad Corporation, is understood to have bought some 12.5m shares in Tootal, giving it a 7.22 per cent stake in the Manchester-based company. Cazenove, which has been acting for Entrad, is believed to have picked up the shares at around 50p compared with a market price of 65p yesterday.

Mr Wagstaffe said Tootal had been "informally but officially" told by Entrad of its purchases but he wanted to know the reasoning behind the buying.

In a letter to shareholders he stated there had been "a marked improvement in Tootal's trading performance following the restructuring and repositioning of the group over the past three years.

"Profits have improved, a progressive dividend policy has been resumed, prospects are encouraging and the share price has shown a steady increase."

The company, he said, firmly believed that the existence of a significant minority shareholder seeking to exercise its influence over the group "would be unlikely to be in the interests of shareholders."

Entrad has made no announcement of its policy towards Tootal but a director of the company, Mr Ron Deans, has been quoted in the Australian papers as saying it wanted to buy a 20 per cent share in Tootal, and acquire a seat on the board, but did not intend to make a full bid.

In Manchester, the company is known to be apprehensive that much of the work in turning the concern round in recent years, especially the recruitment of young managers to key posts, could be undermined by the Australian move.

Entrad is spearheaded by Mr Abe Goldberg, who has become known as Mr Textiles in Australia. He has been consolidating textile interests within his group and in July bought Courtaulds Hilton of Australia from Courtaulds.

Tootal's and Entrad's paths have crossed previously. In 1978 Tootal bought a 49.9 per cent stake in the Australian concern Bradmill Industries against strong competition from Entrad.

The Australian authorities subsequently blocked Tootal's attempt to buy further shareholdings in Bradmill and the British company eventually sold its stake to Benington, an Entrad subsidiary, last January.

Entrad has also been active in other directions this year. In March it bought a small stake in a Californian oil company, Norris Oil, and later followed by acquiring 81 per cent of American Frontier Exploration.

Clabir picks up Yelverton stake

BY RAY MAUGHAN

Clabir, a U.S. holding company, has successfully switched UK investment horse following its recent decision to pull out of the deal with Mr Ronald Shuck's Associated Telecommunications. *It is now picking up the floating* stake in Yelverton, the investment company graced over the years by Mr Jim Slater and Mr John Bentley.

Most recent events at Yelverton have seen Gulf Trust and Credit, a Panama-based group backed by Middle Eastern investors, sell a fifth of the equity on to M Jean Pierre Jequier who, in turn, has now passed the holding to Clabir.

Clabir announced yesterday that it had picked up 19.96 per cent of the shares putting Mr Henry Clarke, chairman of its U.S. parent, onto the Yelverton board in the same capacity. Mr Nicholas Kittee, principal executive of Clabir's international operations has been appointed Yelverton's chief executive while Mr Jeffrey Kaplan, chief financial officer of Clabir in the U.S. also *joins the board.*

Mr Keoffrey Hall has left the Yelverton board but Count Jan Badeni and Mr Simon Watson will stay.

Clabir announced last week that it *had pulled out of the* AT deal because the other parties were not able to perform within the allotted time, if at all. The scheme proposed that Clabir and refinance AT's instalment credit business leaving Mr Shuck's private company, Consult, to buy back the office equipment distribution arm.

Mr Shuck has recently been suspended from the board of his other quoted company, Espley Trust, now headed by company doctor, Mr Ronnie Aitken. Through Consult, Mr Shuck had signalled his intention of buying Espley back at 35p per share but *nothing has happened* since. In the meantime, Mr Aitken's enquiries into the circumstances whereby Espley acquired certain properties in Scotland at the beginning of the year have been continuing.

Mr Aitken was meeting Mr Shuck privately last night to discuss the position of Consult's proposed offer. The Espley chairman also expects to have received a full report on the position of the Scottish properties by the end of this week in his pursuit of the cash and securities offered by Espley in exchange for those assets.

BSI steps up pressure on E. Lancs

By Alexander Nicoll

British Syphon Industries yesterday stepped up the pressure in its campaign to win East Lancashire Paper Group, buying shares in the market and raising both its share offer and the cash alternative.

BSI, the drinks dispensing group chaired by Mr Bryan Morrall, bought 225,000 shares at 85p each, adding 4.1 per cent to its existing 16 per cent stake. *Its initial offer* had received acceptances covering a further 8.6 per cent.

BSI had been offering one of its shares for one East Lancs with a cash alternative of 60p per *share, but a rise in its own share* price had pushed the value of the share alternative far above the cash option.

The new offer is 11 BSI shares for 10 East Lancs, or 85p in cash for each East Lancs share. The cash offer, which compares with East Lancs' closing price yesterday of 87p, up 6p, values the paper group at £4.63m. With BSI shares closing yesterday at *79p*, down 1p, the share offer is worth almost 87p per East Lancs share.

East Lancs, defending itself against the bid, has forecast a sharp profit increase in the first *half* of 1985 as a result of a reorganisation of its paper production.

It is very likely that the revised terms will continue to be strongly resisted. East Lancs *has* not decided its response formally as yet but Mr John Seddon, the managing director, said that in his view the new offer is "still totally unacceptable."

RAIR is taken over by TFB

Business computer manufacturer RAIR has been taken over by Technology for Business, which specialises in computer systems for the legal profession.

Details of the deal were not disclosed but TFB said the consideration included 200,000 options in TFB 10p ordinary shares, redeemable over a period based on profit performance.

RAIR is the developer of a micro-computer adopted under licence by ICL as the basis for its personal computer.

Following the acquisition, TFB plans to raise £1.25m through brokers Greene and Co with a placing of convertible preference shares.

Currys hits out at Dixons again

THE REVISED offer by Dixons for fellow electrical retailer Currys, which closes on November 23 and will not be increased, is currently worth 497p per Currys share or a 3p discount *to the closing price yesterday.*

The new offer document was attacked by Currys yesterday as containing "many inaccurate, misleading and unsupportable" assertions. A more detailed response will be published either at the end of this week or the beginning of next and should include a "desk top" and large *sample* independent property revaluation.

In the meantime, the defence said that "the capital value of the bid remains far short of the true value of Currys' two activities, retailing and property, and takes no account of any premium for control."

The strength of Dixons' share price, down 1p to 379p against a level of 305p when the first bid was unveiled, "reflects how good the deal is for Dixons and how bad it is for you," Currys told its shareholders.

BIDS AND DEALS IN BRIEF

GKN Chep, a member of the GKN group, has bought **Tilgate Pallet Services** and its four subsidiaries from **Wood Hall Trust**, a wholly owned subsidiary of Elders IXL, the Australian conglomerate. The deal is believed to have cost GKN Chep £2m-£2.5m.

Tilgate is a major UK manufacturer of industrial pallets while GKN Chep runs a national pallet rental service.

* * *

DAVY MCKEE (Sheffield), an iron and steel works contractors and a subsidiary of the Davy Corporation, is acquiring the technology and futureb usiness of Ashlow, a Rtherham based designed and supplier of steel rod rolling mills.

Davy McKee says the value of the transaction will be about £750,000, but wil lnot say how the payment is to be made. Ashlow is owned 60 per cent by Kork Engineering of West Germany and 40 per cent by Bridan.

Until now, Davy has had to use other's technology when bidding for rod mill contracts. The main markets tend to be in developing countries, which often get their start in steelmaking with a rod mill to make concrete reinforcing bar. Davy says it will take on a significant portion of the Ashlow employees and move them into its Darnall, Sheffield offices.

Korf Engineering, a subsidiary of Voest Alpine of Austria, will continue to market and supply Ashlow mills under licence.

* * *

Caparo Properties, following the acquisition of **BCL (Holdings)**, is the beneficial owner of 2.6m ordinary shares (14 per cent) in **Greenfields Leisure.**

Transcontinental Services Group, an international investment company, has bought a 14.91 per cent stake in **British American and General Trust** at a cost of £7.3m.

Transcontinental bought 7.5m ordinary shares in theapproved investment trust last Friday at a price of 97.078p a share. Sales the same day by investment clients of Geoffrey Morley and Partners mean they no longer havea notifiable interest in the company.

* * *

Terms have been agreed for an offer by **Hardanger Properties** for **Eyre and Sons.** The directaors of Eyre, a retail furnisher, have undertaken to accept the offer in respect of their beneficial holdings totalling some 11.1 per cent of the ordinary and 0.5 per cent of the preference share capital.

The terms are 16 ordinary shares of Hardanger for every five ordinary of Eyre, and £5 in cash for each 4.25 per cent cumulative preference share.

* * *

Hawtin has acquired **Manor Brick (Holdings)** for £300,000, to be satisfied by the issue of 2,307,692 ordinary shares. Manor's last audited accounts for the year to March 31 1984 showed net assets of £180,425 and pre-tax profits of £72,173.

* * *

Willaire Systems has received notice of interests taken in it by **Cullum Investment**, whereby Cullum is party to an agreement to acquire options to purchase shares at any time prior to September 1986.

The other party to the agreement is **Canperm Nominees.** The amount of shares in which Cullum is interested is 3.14m and Canperm currently holds 3.49m.

UK COMPANY NEWS

MINING NEWS

Sallies shelves gold mining as investment 'too costly'

BY GEORGE MILLING STANLEY

THE veteran **South African Land and Exploration** ("Sallies") gold producer in the Anglo American Corporation of companies has decided not to go ahead with an ambitious plan to resume underground mining operations, but the company's existing dump re-treatment activities are to be expanded.

Four years ago, Sallies was sufficiently encouraged by the results of a programme of exploration begun in 1975, which covered the original mine workings, the area to the South and South-west over which the company holds mineral rights, and the Number 4 and 5 shafts of the old Van Dyk mine, to set up a detailed study into the feasibility of resuming gold production from underground mining operations.

Several options were considered, including mining the original Sallies' lease area, equipping the Van Dyk Number 5 shaft as the basis of a new mining operation, and the sinking of a new shaft system in various areas of the ground over which Sallies hold mineral rights.

This study has, at last, determined that the expenditure necessary for a resumption of mining operations would not provide a worthwhile investment, even at gold prices well above the current level in terms of the South African Rand.

Accordingly, the hoist and pumping equipment in the Van Dyk Number 5 shaft will be recovered and sold, and the shaft will be closed. The company holds out a glimmer of hope for the future by saying that the inflow of water into the shaft, from the East Rand Basin, has been limited by the installation of a concrete plug, making the reopening of the shaft in the future a relatively simple matter.

Nevertheless, there is an air of finality about the fact that Sallies has decided that a resumption of underground mining operations would not be economic at present gold prices.

The weakness of the rand against the U.S. dollar, has meant that the gold price, in local currency terms, has been at record levels over the past quarter, with the South African mines receiving something over R17,000 for each kilogram of gold produced. This is well in excess of the previous record price when gold was standing at over $800 per ounce in the early months of 1980.

Sallies itself received an average price of R17,354 per kilogram during the three months to the end of September, by a considerable margin the highest price in local currency terms that the mine has ever obtained in its long history.

Nevertheless, the high gold price in local currency terms means that Sallies will survive as a dump retreatment operation. This means recovering gold from the waste material of former gold mines which applied much more rigorous standards in their judgment of what was payable ore in view of the gold prices then prevailing.

The expansion of this operation, which has been running since underground mining ceased on Sallies' land in 1976, will involve the construction of a pyrite flotation section to add to the present gold extraction plant, in order to improve the efficiency of gold recovery.

This will enable lower-grade material from rock and sand dumps, to be treated economically, and will thus extend the life of the operation. The final gold recovery will be carried out at the sulphuric acid and gold plant of East Rand Gold and Uranium (ERGO), also in the Anglo-American stable. The capital cost of this project is put at R6.74m, including an allowance for inflation. The new plant will take about 18 months to instal.

Sallies' directors do not expect the net-of-tax cost of the spending on this programme to affect potential dividends from the company by more than 5 cents a share for each of the next three years. The company paid a total dividend of 50 cents a share last year, and has maintained its interim for 1984 at 20 cents.

Bemrose is hit by new technology difficulties

Bemrose Corporation, security printer and packaging maker, yesterday forecast that problems with the introduction of a new computer and laser technology would drive current year pre-tax profits odwn from £3.2m last year to "around the break-even mark."

The company's production difficulties are persisting longer than previously expected—only two months ago Bemrose predicted a recovery in profits in the second half of 1984, following a sharp fall in the six months to June to £261,000 (£1.15m).

Bemrose also said yesterday that it would review the level of its final 1984 dividend at the year-end—drawing back from its earlier forecast that the total payout would at least be maintained at 11p net. The company has paid an unchanged interim of 4.4p this year.

Bemrose said it could not "forecast precisely at this stage" when its technical problems might be resolved. But many of these "major unforeseen difficulties" are already being overcome and "the company is sure that the remaining technical problems will be solved."

The production problems affect Bemrose's biggest single business—cheque printing for National Westminster Bank and for Barclays Bank—where £3m has been invested in the past year or so.

Mr David Wigglesworth, chief executive, said that introduction of the new technology had caused a whole series of hiccoughs which caused revenue losses and higher costs. In recent weeks the revenue losses had diminished but the high production costs continued.

The company was still confident that the decision to invest in the process had been right, said Mr Wigglesworth.

Commenting on its other businesses, Bemrose said UK speciality advertising was set for a good year and the company was looking to enter the same market in the U.S. Flexible packaging, engraving, cartons and transfer printing were trading profitably.

Bemrose shares, which hit a 235p high earlier this year on bid rumours and have slipped ever since, reached a new 1984 low yesterday of 155p, 5p down on the day.

Improvements in ore and costs lift Erickson Gold

IMPROVEMENTS in ore grades and operating costs expected by mid-year by **Erickson Gold Mines** at its property near Cassiar, northern British Columbia, have materialised and the company has returned to profit in the third quarter of the year.

Erickson has reported net profits for the three months of C$457,000 (£277,000) or 5 cents a share, compared with a loss of C$557,000 in the previous three months. The latest results reduced the loss for the first nine months of 1984 to C$1.4m, compared with net profits at the same stage of last year of C$3.5m.

The company said it expects to remain in profit in the final quarter.

Average operating costs for the nine months were C$83.42 per ton of ore milled, compared with C$109.50 over the same period of 1983. Mill throughput averaged 260 tons a day, against 188 tons last year.

Drilling continued on the exploration joint venture with Agip Canada, the local arm of the Italian natural resources group, at Mount Skukum, near Whitehorse in the Yukon. Erickson can earn up to 45 per cent of the venture by bringing the gold deposits into production.

MMC tin output lower at nine months

Tin concentrate output in October at the big **Malaysia Mining Corporation** (MMC) increased to 377 tonnes, but the total for the nine months of the financial year to date continues to lag at 3,641 tonnes against 4,320 tonnes a year ago.

Like the other Malaysian tin producers, MMC is having its output restricted by the export curbs imposed by the International Tin Council in its efforts to reduce the surplus supplies overhanging the metal market.

Many dredges remained shut down for this reason last month. These included three units at Berjuntai which, exceptionally, has raised output in the past six months to 1,370 tonnes from 1,033 tonnes in the same period of 1983.

Tronoh, on the other hand, comes out with a 10-month total of only 320 tonnes against 637 tonnes a year ago.

The latest outputs are compared in the following table:

	tonnes Oct	tonnes Sept	tonnes Aug
Aokam	46	52	46
Ayer Hitam	67	73	80
Berjuntai	199	213	219
MMC	377	352	415
Sungei Besi	38	44	47
Tongkah Harb.	30	24	14
Tronoh	44	41	38

Outwich Investment

Net asset value per 25p share of the **Outwich Investment Trust** improved by 31.8p to 161.2p over the 12 months ended September 30 1984. Revenue for the first half year to end-September advanced from £1.19m to £1.36m after tax of £662,000, compared with £630,000.

Earnings amounted to 2.09p (1.77p) and the net interim dividend is be lifted to 1p (0.75p), partly to reduce disparity.

BASE LENDING RATES

A.B.N. Bank	10 %	Heritable & Gen. Trust	10 %
Allied Irish Bank	10 %	■ Hill Samuel	§10 %
Amro Bank	10 %	C. Hoare & Co.	†10 %
Henry Ansbacher	10 %	Hongkong & Shanghai	10 %
Armco Trust Ltd.	11 %	Knowsley & Co. Ltd.	10½%
Associates Cap. Corp.	10½%	Lloyds Bank	10 %
Banco de Bilbao	10 %	Mallinhall Limited	10 %
Bank Hapoalim	10 %	Edward Manson & Co.	11½%
BCCI	10 %	Meghraj and Sons Ltd.	10 %
Bank of Ireland	10 %	Midland Bank	10 %
Bank of Cyprus	10 %	■ Morgan Grenfell	10 %
Bank of India	10 %	National Bk. of Kuwait	10 %
Bank of Scotland	10 %	National Girobank	10 %
Banque Belge Ltd.	10 %	National Westminster	10 %
Barclays Bank	10 %	Norwich Gen. Tst.	10 %
Beneficial Trust Ltd.	11 %	People's Tst. & Sv. Ltd.	11 %
Brit. Bank of Mid. East	10 %	R. Raphael & Sons	10 %
■ Brown Shipley	10½%	P. S. Refson	10 %
CL Bank Nederland	10 %	Roxburghe Guarantee	10½%
Canada Perm'n't Trust	10 %	Royal Bk. of Scotland	10 %
Cayzer Ltd.	10 %	Royal Trust Co. Canada	10 %
Cedar Holdings	11 %	■ J. Henry Schroder Wagg	10 %
■ Charterhouse Japhet	10 %	Standard Chartered	‖10 %
Choulartons	11½%	Trade Dev. Bank	10 %
Citibank NA	10 %	TCB	10 %
Citibank Savings	¶11½%	Trustee Savings Bank	10 %
Clydesdale Bank	10 %	United Bank of Kuwait	10 %
C. E. Coates & Co. Ltd.	11 %	United Mizrahi Bank	10 %
Comm. Bk. N. East	10 %	Westpac Banking Corp.	10 %
Consolidated Credits	10½%	Whiteaway Laidlaw	10½%
Co-operative Bank	*10 %	Williams & Glyn's	10 %
The Cyprus Popular Bk.	10 %	Wintrust Secs. Ltd.	10 %
Dunbar & Co. Ltd.	10 %	Yorkshire Bank	10 %
Duncan Lawrie	10 %	■ Members of the Accepting Houses Committee.	
E. T. Trust	11 %	* 7-day deposits 6.75%. 1 month 7.50%. Fixed rate 12 months £2,500 7.5% £10,000, 12 months 9.00%.	
Exeter Trust Ltd.	10½%		
First Nat. Fin. Corp.	12½%		
First Nat. Secs. Ltd.	12 %	† 7-day deposits on sums of under £10,000 6¾%, £10,000 up to £50,000 7¼%, £50,000 and over 8¼%.	
■ Robert Fleming & Co.	10 %		
Robert Fraser & Ptns.	10½%	‡ Call deposits £1,000 and over 6¾%.	
Grindlays Bank	‡10 %	¶ 21-day deposits over £1,000 7¾%.	
■ Guinness Mahon	10 %	§ Demand deposits 6¾%.	
■ Hambros Bank	10 %	‖ Mortgage base rate.	

COMPANY NEWS IN BRIEF

New Cavendish Estates is paying a dividend of 1.2p per share for the year ended June 30, 1984 on capital increased by a 1-for-10 scrip, against 1p on the old capital in the previous year.

The company stayed in profit for the second half to produce £69,000 for the full year, compared with a loss of £132,000.

* * *

The directors of **Clyde Blowers** report an operating loss of £113,238 for the year ended August 31 1984, compared with a profit of £173,725. The inclusion of £183,097 (£115,893) investment income keeps the group in profit at the pre-tax level; however, it is down from £289,618 to £69,869.

This represents earnings per share of 12.5p (21.9p), and the dividend is being maintained at 6.8p with a final of 5.98p. The company manufactures steam and soot blowing equipment. Its turnover in 1983-84 fell to £3.56m (£3.96m).

* * *

In the half year ended September 30 1984 **Walker, Crosweller & Co** saw taxable profits increase from £1.48m to £1.74m.

Turnover of the company, a subsidiary of Reed International and a manufacturer of thermostatic mixing valves and water heaters, rose from £10.37m to £11.78m.

After tax at £770,000 (£595,000) earnings per ordinary share came out at 66.4p (60.7p).

* * *

London European Airways, the recently formed company which has been awarded a licence to operate a scheduled service between Luton and Amsterdam (Schiphol) is making a public offer of 7.33m ordinary shares at 12p each.

Subscription lists will be opened at 10 am on November 15. On completion of the offer, the market capitalisation of the shares in issue will be £2.1m. An over-the-counter market will be made in the shares.

* * *

The net asset value per 10p share fell from 41.8p to 40.6p at **Asset Special Situations Trust** during the six months ended September 30 1984. The figure for September last year was 37.6p, and the directors point out that there has been an increase in net asset value since the end of September.

The net interim dividend is lifted from 0.42p to 0.46p, absorbing £46,010. Net earnings per share were stated as 0.6p against 0.43p.

* * *

On October 5 1984 net asset value of **Capital Gearing Trust** came to 70.24p, compared with 69.84p at April 5 and with 55.75p in October 1983. The directors are forecasting a dividend for the current year ending April 5 1985 of not less than the previous 0.175p net after adjusting for the 1-for-1 scrip issue.

* * *

By the end of September 1984, net asset value of **North Atlantic Securities Corporation** had grown to 340.8p per share, or to 332.8p assuming full conversion of the loan stock. These figures compare with 315.9p and 308.1p at March 31 and with 299.6p and 291.6p at the end of September 1983.

Gross revenue in the year ended September 30 1984 rose from £1.63m to £1.7m, and the available balance for the ordinary came to £672,000 (£642,000). This equalled 3.64p (3.48p) per share and the final dividend is 2.2p for a net total of 3.2p (3p).

* * *

Pre-tax profits of **H. C. Slingsby**, truck and ladder manufacturer, rose from £61,000 to £125,000 over the first six months of 1984 and the interim dividend is being increased by 0.4p to 1p net per 25p share.

Mr J. F. Slingbby, the chairman, says that although first half progress was encouraging trading conditions remain competitive and industrial strife leaves the future uncertain.

Turnover for the half year improved to £2.4m (£1.91m) and earnings per share on a nil and net basis advanced by 4.9p to 11p. Pre-tax profits for the 1983 year totalled £105,844 (£65,165).

* * *

Net asset value per 25p capital share of the **New Throgmorton Trust (1983)** declined from 81.7p to 76.26p in the six months ended September 30 1984, taking debenture stock and income shares at par values. At September 30 1983 net asset value per capital share amounted to 60.26p.

Revenue for the half-year to September 30 1984 totalled £483,000 (£493,000) after tax of £235,000 (£262,000). Earnings emerged at 1.23p (1.26p). The interim dividend is held at 1p net: the directors anticipate a total of not less than last year's 2.25p.

* * *

Net asset value per share at **TR North America Investment Trust** rose from 178.2p to 210.8p in the six months to September 30 1984, having stood at 194.2p at the comparable stage last year.

The net interim dividend is maintained at 1p per share, following on from the previous total of 3.4p. Earnings are given as 1.76p per share, up 0.03p.

Gross income rose from £1.59m to £1.76m. After tax of £465,000 (£477,000) net revenue came out at £573,000 (£564,000).

FT COMMERCIAL LAW REPORTS

Cross examination allowed on Mareva affidavits

HOUSE OF SPRING GARDENS AND OTHERS v W. A. WAITE AND OTHERS

Court of Appeal (Lord Justice Cumming-Bruce and Lord Justice Slade): November 1 1984

A COURT has power to order cross examination on affidavits purportedly sworn in disclosure of frozen assets, though there will be no issue for determination at time of cross examination, if such order appears necessary to ensure that the Mareva injunction by which the assets are frozen achieves its purpose of preventing their dissipation before judgment.

The Court of Appeal so held when allowing an appeal by the plaintiffs, House of Spring Gardens, Armourshield and Mr Michael Sacks, from Mr Justice Scott's decision to discharge an order made by Mr Justice Nourse that the first and second defendants, Mr William Waite and his son Mr Seamus Waite, be cross examined on their affidavits filed in purported disclosure of assets. The other defendants to the action were four companies, Emory, Molex, Farham Industries and Point Blank, owned or controlled by the Waites.

Section 45 (1) of the Supreme Court of Judicature (Consolidation) Act 1925 provides: "The High Court may grant a mandamus or an injunction ... by an interlocutory order in all cases in which it appears to the court to be just and convenient to do so."

Section 37 of the Supreme Court Act 1981 provides: "(3) The power ... to grant an interlocutory injunction restraining a party to any proceedings from removing from the jurisdiction of the High Court or otherwise dealing with assets located within that jurisdiction, shall be exercisable in cases where that party is, as well as in cases where he is not, domiciled, resident or present within that jurisdiction."

LORD JUSTICE SLADE said that in the 1970s Mr Sacks developed a new form of bullet proof vest. He was approached by Mr Waite senior, who suggested a joint venture in which he would supply the manufacturing service and establish contacts with Libya.

The plaintiffs' evidence was that during the discussions Mr Sacks gave Mr Waite confidential information about the design and manufacturing of the vests. In the meantime Mr Waite was, behind their backs, setting up his own manufacturing plant in the Republic of Ireland. He started manufacturing the vests and selling them to Libya.

Mr Sacks became aware of this in June 1980 and started proceedings for breach of copyright and misuse of confidential information in England and Ireland. By that time the contract was largely executed.

The proceedings were settled in 1980. The main effect was that Mr Sacks authorised completion of the contract in return for a royalty on vests sold. Also, if Mr Waite made other contracts with the Libyans, he was to inform Mr Sacks.

Subsequently Mr Sacks discovered that an Irish company owned or controlled by Mr Waite was engaged in manufacturing vests and exporting to Libya under a second contract. He had been told nothing and received no royalty.

In 1982 the plaintiffs initiated the current proceedings claiming breach of copyright and misuse of confidential information. Simultaneously they started a second set of proceedings in Ireland. In December 1982 Mr Justice Costello gave judgment for the plaintiffs in the Irish action and awarded £600,000 ($750,000) for breach of the settlement agreement and about £3m for misuse of confidential information.

In June 1983, on the plaintiffs' *ex parte* application in the English proceedings, Mr Justice Walton extended an existing Mareva injunction by freezing all the defendants' assets save in so far as they exceeded £3m and save that the Waites were each allowed a weekly sum for expenses.

The effective hearing of the motion took place before Mr Justice Vinelott in November 1983. By that time, Mr Waite senior had sworn affidavit evidence in opposition to continuance of the Mareva injunction.

Mr Justice Vinelott considered that the affidavit was almost insultingly brief and inexplicit. He decided that the proper course was to continue the Mareva injunction until the trial. He said it was plain that Mr Justice Costello was right in concluding that the defendants were the sort of persons who would put their assets beyond the plaintiffs' reach and that full and proper disclosure of those assets was therefore essential.

He ordered the Waites and their companies to disclose the full value of their respective assets within and without the jurisdiction of the court, their nature and whereabouts and whether they were held in their own names or by nominees. Disclosure was to be verified by affidavit.

The Waites swore affidavits for themselves in purported compliance with the judge's order. Affidavits were also sworn on behalf of the companies.

One of the directors later swore an affidavit on his own behalf. The plaintiffs took the view that it showed there had been serious inaccuracies in or omissions from the Waites' affidavits if they were to be regarded as sworn in compliance with Mr Justice Vinelott's order.

They issued a notice of motion that they should be at liberty to cross examine the Waites on their affidavits. Their application came before Mr Justice Nourse on February 6 1984. The Waites consented to the order made that the plaintiffs were at liberty to cross examine.

The cross examination was arranged for hearing before Mr Justice Scott. He was told that its purpose was to enable the plaintiffs to ascertain the whereabouts of money which they believed had been received by one or other of the defendants under the second Libyan contract.

It was made clear to the judge that there was no specific present issue which would fall for his immediate decision after cross examination was concluded. He was troubled by that lack and decided the application was misconceived and that the plaintiffs could not cross examine on the affidavits *in vacuo*. He commented that it was "not the business of the court to police its orders but to decide issues between the parties."

He concluded that Mr Justice Nourse's order was a nullity and discharged it. The plaintiffs now appealed. The sole issue was whether Mr Justice Nourse had power to make the order for cross examination.

As was pointed out by Lord Justice Lawton in CBS United Kingdom (1983) Ch 37,42, the court's source of jurisdiction to grant a Mareva injunction was found in section 37 of the Supreme Court Act 1981. Subsection (1) provided that it might grant an injunction where it appeared "just and convenient" to do so; and subsection (2) provided that the order might be made on such terms as the court thought "just."

Lord Justice Lawton said the Mareva jurisdiction was unlikely to be of any use to a plaintiff who believed the defendant intended dealing with his assets "in such a way as to deprive him of the fruits of any judgment he may obtain" unless there was some means of making the defendant disclose what his assets were and where they were to be found.

In Bekhor v Bilton (1981) 1 QB 923,940 Lord Justice Ackner said that, having regard to the authorities, the power under section 45(1) of the Supreme Court of Judicature (Consolidation) Act 1925 included the power to restrain a party from removing his assets from the jurisdiction, or otherwise dealing with them, and that "there must be inherent in that power the power to make all such ancillary orders as appear to the court to be just and convenient, to ensure that the exercise of the Mareva jurisdiction is effective to achieve its purpose."

At page 954 Lord Justice Stephenson said that a judge "has a judicial discretion to implement a lawful order by ancillary orders obviously required for its efficacy, even though not previously made or expressly authorised."

Mr Justice Vinelott's order for discovery was made for the purpose of ensuring the Mareva injunctions were effective to prevent the defendants putting their assets beyond the reach of the plaintiffs.

It was clear almost beyond argument that when the applications came before him he would, by virtue of section 37, have had the power there and then to order the Waites to disclose their assets by oral evidence, if in the proper exercise of his discretion he considered that form of order just and convenient as ancillary to the Mareva relief. Instead, in the usual way, the defendants were ordered to make affidavits.

It was submitted for Mr Waite junior that it could never be just and convenient for the court to order cross examination on the affidavits in such a case, except for the purpose of assisting it to determine an issue – for example, if the plaintiff was seeking to commit the defendant for contempt on the ground of alleged failure to comply with the order for disclosure.

That argument was not well-founded in so far as it related to jurisdiction.

On the particular facts of most cases the court might not see it as just and convenient to order immediate cross examination. Where the plaintiff had not yet seen fit to issue a motion for contempt and was not seeking an order for the swearing of a second affidavit by the defendant, the court should always be astute to see that the Mareva injunction was not used as a weapon and to oppress the defendant. It would no doubt be on guard against potential oppression where there was no immediate issue before it.

Nevertheless, Mr Justice Scott took too narrow a view of the width of the court's jurisdiction. A court might be of the opinion that calling the defendant for cross examination on his affidavit was the only way of ensuring that the Mareva injunction achieved its purpose.

In general the court's function was to decide issues, but Mr Justice Scott overlooked another part of its function in the special context of the Mareva injunction – its protective function.

There was a world of difference between discovery granted for a Mareva injunction and discovery in an ordinary action.

Mr Justice Nourse had power to make the order. It was perfectly valid. The appeal should be allowed.

The proper scope of the cross examination envisaged must be to ascertain whether the Waites had fully complied with Mr Justice Vinelott's order for disclosure and to elicit information which they had not supplied. That was what was in their minds when they consented to the order.

Lord Justice Cumming-Bruce gave a concurring judgment.

For the plaintiffs: Gavin Lightman QC and Alan Boyle (Philip Conn & Co, Manchester)

For Mr William Waite: L. G. Kosmin (Beechcrofts)

For Mr Seamus Waite: R.W. Kirk (Pocknell Krick & Co, Aldershot).

By Rachel Davies
Barrister

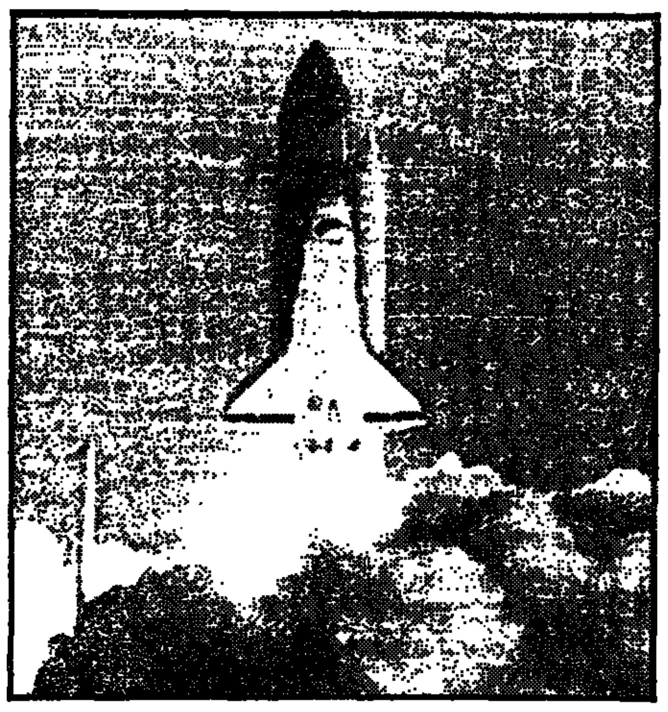
TECHNOLOGY

EDITED BY ALAN CANE

DISCOVERY LIFTS OFF WITH MANUFACTURING HOPES

Pioneering factories in space

BY RICHARD EVANS IN CAPE CANAVERAL, FLORIDA



Out of a cloud of smoke, Discovery blasted off on Thursday carrying with it important industrial experiments

THE fourteenth space shuttle's twice-delayed launch from the Kennedy Space Centre will probably be remembered for the spectacular rescue of two stranded satellites that have been floating in useless orbits since their launch nine months ago. In the longer term, its biggest impact could come from the increasing commercial exploitation of space highlighted by the flight.

The major attraction to science-based and high technology companies is that space offers a combination of physical properties virtually impossible to produce on earth. These include a near perfect vacuum, a sterile environment and the absence of vibration. Most important of all, scientists can conduct experiments without *interference from gravity*.

Some U.S. companies believe that manufacturing in space could eventually grow into a huge market. Rockwell International, the California-based aerospace company, thinks for example that space-made products will earn $30bn a year in the 1990s, mostly from pharmaceuticals and electronic materials.

The National Aeronautics and *Space Administration* (NASA) has already secured research agreements with over a dozen non-aerospace companies and the current nine-day flight sees the first in a series of experiments in space covering more than 70 flights up to 1995 by 3M Corporation, the highly diversified multinational based at Minneapolis-St Paul.

An embryonic space manufacturing industry is already sprouting rapidly in the U.S. with the most advanced experiments conducted so far by McDonnell Douglas in collaboration with Ortho Pharmaceuticals, a subsidiary of Johnson and Johnson. They have joined forces to produce a remarkably pure drug in space. The project remains shrouded in commercial secrecy but the companies claim they will start selling the drug by 1987 and anticipate revenue of dollar 1bn by the mid-1990s. The hope is that, among other uses, it will prove effective against diabetes.

Experiments aboard the shuttle have convinced McDonnell that electrophoresis, a technique of separating materials in solution by subjecting them to an electric field, can be used in space to purify drugs on a large scale. In five space flights tests have shown that seven hundred times more material can be separated and four times the purity level achieved compared with experiments on earth.

Other experiments are aimed at applying the technology learned in space to manufacturing processes in the factory. For example John Deere, manufacturers of farm machinery and tractors, hopes that space experiments on how cast iron solidifies will lead to cheaper and less brittle raw materials for its products.

The Honeywell Corporation is talking to NASA about an agreement that could lead to the manufacture in space of crystals that could be used as ultra sensitive detectors for missiles, and the Florida based Microgravity Research Associates hopes to grow gallium arsenide crystals that could displace silicon as the premier material for semiconductor chips.

The 3M experiments will check whether the effects of zero gravity on the growth of organic crystals will result in the production of much larger and purer crystals than is possible on earth.

In general, NASA is determined, largely on political grounds, that the benefits from the vast amounts of money spent on space development should be felt as widely as possible.

For example, under the terms of the commercialisation of space agreement, 3M would be required to publish the results of its space experiments within three years of the time they are landed but the company would retain exclusive rights to patent and develop products for commercial purposes, which originated from the experimental programme.

But the growing number of companies queueing up to do experiments in space is no guarantee that space manufacturing will become commonplace. The big question, predictably, is cost. At present NASA is giving its business clients the chance to hedge their bets. By signing joint venture agreements companies like 3M and McDonnell Douglas get free rides on the shuttle without major capital outlay.

Biology

Blue green talented bacteria

CYANOBACTERIA (Blue - Green Algae) are multi talented bugs able to produce oxygen and hydrogen and also fix nitrogen. Their future industrial potential is enormous. Research underway at University College Swansea's Biotechnology Centre Wales, aims to capitalise on the potential.

As photosynthetic organisms, cyanobacteria split water to release oxygen. but even more important economically is their development as a source of energy. The hydrogen they produce can be burned.

It is the nitrogen fixing, however, which most interests the Biotechnology Centre. Converting nitrogen into fertiliser nitrates in an expensive process. The method currently in use—bombarding nitrogen with electric sparks to produce nitrates—has high *energy costs*. But the bugs will do the job quite cheaply.

Cyanobacteria range in composition from unicellular organisms to complex structures, and they have a history dating back 3bn years. Fossil remains have been found in early precambrian rocks, and Swansea scientists go as far as to suggest that bugs may be responsible for the appearance of oxygen in the atmosphere.

One of the bacteria's main assets is an ability to colonise new lands. For, as nitrate producers they can be used as fertilisers for barren soils. "Their *potential in arid zones* is enormous because they can prevent deserts spreading into farmland," explains BCW's Director, Rod Greenshields. "This benefit will be especially felt in the third world—the bugs function well in warm climates."

Although cyanobacteria's exploitation remains at the experimental stage, BCW is confident that the bugs have much to offer. As well as being useful to industry their sugar producing function renders them a fundamental part of the food chain. Best of all they're not difficult to culture. They don't need special temperature or fancy conditions—cyanobacteria only require a dilute salt solution in which to grow.

IOLA SMITH

Domesday Book gets the modern touch

Video & Film

BY JOHN CHITTOCK

IN TWO years' time, Britain will be celebrating the ninth centenary of William the Conqueror's Domesday Book. The *anniversary will also coincide* with the appearance of a new Domesday Book—published on video discs. With a nice touch of flair, the BBC—creator of the 20th century project—will present copies of the new media Domesday Book to Prince William.

For the publishing industry, wedded to print and paper for centuries, it offers an example through which the traditional benefits of the book can be exploited in tandem with the visual power of video and the flexibility of the computer. For over 20 years publishers have been groping to find a *satisfactory formula to harness their* skills to television—generally without much success. Now that the BBC has done it, with an imaginative project carried out with professional thoroughness.

Arising from a conventional television series about the original Domesday Book, the video disc venture will involve 10,000 schools across Britain. Children will provide the ground research about their towns and villages, feeding data into the project (on their BBC microcomputers), plus pictures and other information. A national photographic competition will also provide the general public with an opportunity to participate—submitting transparencies which document all aspects of life in their local communities.

Two LaserVision video discs will provide the carrier for this mass of information. One disc will be devoted to local material provided by schools and the public; a second disc will carry more structured national information supplied by a variety *of academic and public bodies*—such as the National Data Archive, the Institute of Terrestrial Ecology, the Ordnance Survey and the Centre for Urban and Regional Studies. A third will provide general information about the project.

Because a conventional optical disc has a capacity for some 50,000 frames or pictures per side—and this new Domesday Book requires effectively 2m pages—Philips is developing with the BBC a new version of the LaserVision video disc player which can handle digital as well as analogue signals.

This means that a standard BBC microcomputer can be driven by the disc to provide a much greater store of information, *in this case alpha-numeric* (viz text) to supplement the picture information more usual to the video disc.

In practice, users of the Domesday video discs will be *able to call up* a map of any area in Britain and selectively scale down to any region of the map, such as a town, small hamlet, river or woodland area —and then "extract" both visual and printed information about the area. As in the original Domesday Book, this information will cover everything from population data, employment, the economy, to ecological and geographical details—plus photographs of inhabitants, flora and fauna, architecture and high quality graphics.

The original *Domesday Book* suffers one enormous problem —it is organised under the names of landowners, so that researchers have only one route in retrieving specific information. The Domesday video disc, interfaced with a microcomputer, will enable any category or permutation of information to be extracted and displayed on the television screen with ease and speed.

For Philips and the video disc, this project is the breakthrough that the technology needs. It will bring on to the market a BBC branded video disc player, made by Philips, which could repeat the success of the Acorn BBC computer. For the Department of Trade and Industry, which is helping to finance this £2.5m venture, it is an elegant catalyst in helping to firm up Britain's lead in *video software and information* technology.

Perhaps most significant of all, the publishing industry will be under new pressure to take this medium seriously. Some have been persevering, such as IPC—which has recently launched videocassette programmes appropriate to readers of *Woman's Own* and *New Scientist*. The cassettes for women have a slight ring of Mills and Boon about the titles *(Who Will Love My Children?, Having it All)* and are selling well through promotions in the magazine.

In divesting themselves of the Daily Mirror, IPC's parent group Reed also parted with another video project—Mirror-Vision. This has been promoting through the newspaper a range of video titles aimed at Mirror readers, ranging from motor-cycle racing to Marjorie Proops.

The arrival of Mr Robert Maxwell at the Daily Mirror is bound to give MirrorVision an additional boost; his commitment to video has been long established, but generally waiting for the right opportunity.

Apart from editorial input, publishers have another essential advantage in the video business—a built-in distribution machine with targetted names and addresses. Findlay Publications are about to exploit this advantage through its four engineering magazines. Using a combined circulation of 55,000, Findlay is promoting its newly established Technical Video Library. Industrial sponsors of suitable engineering video-cassettes may deposit programmes with the library (on payment of a fee) and these are reviewed in the relevant magazines and promoted through a quarterly newsletter.

The emphasis in all of these video publishing projects is special interest subjects. Another such entrant in recent times has been the magazine programme *Marketing Television* — circulated on video-cassettes to marketing directors of major companies by Home & Law Publishing (with advertising agencies, for a change, paying for advertising spots to *promote themselves*).

The BBC Domesday project demonstrates how the skills of publishers are uniquely suited to video, and especially to the video disc. Indeed, Philips reckon that 32 per cent of professional LaserVision applications are already in publishing.

Since the latest of the regular forecasts from Leisure Consultants predict a UK VCR population of over 14m machines by 1989—but anticipates no growth and some casualties in magazine publishing over the same period —the message for publishers is clear.

Communications

Video conferences

AN ANALOGUE "freeze-frame" television transmitter/receiver unit developed by Colorado Video in the U.S. has been approved for use on the UK telephone network by British Telecom.

The model 290 sends and receives still video "snap-shots" at various resolution levels (degrees of clarity) over the dialled telephone network to give cheap video conferencing. It can operate at 512 x 256 pixels (picture elements), or at 512 x 512 pixels for more detailed pictures, in which case the transmission time is quadrupled to 146 seconds.

Up to four video memories can be provided, either to display different images on adjacent video monitors, or to transmit one image while another is being viewed at the receiving site.

The UK representative is Brian Reece Scientific Instruments, Newbury (0635 32827). The Audio Conference Group of BT is also offering the system: a single site can be equipped for about £7,000.

Memories

Testing floppy disks

UP TO 30 pre-programmed tests can be carried out on floppy disk drives at the push of a button using the AVA 409 unit from Omnitest of Ringwood, Hampshire.

The tester is supplied in a portable case and weighs under 10 lb. A built-in power supply also drives the disc under test.

Tests that can be performed include read margin, single or double density formatting and all the standard exercise functions on either 5.25 or 8.0 in disks.

SECTION III – INTERNATIONAL MARKETS

FINANCIAL TIMES

Tuesday November 13 1984

Italian bank issues $100m floating rate note, Page 38

WALL STREET

Rate debate has no holiday halt

THE CLOSURE yesterday of Wall Street's market for federal bonds, which together with the banks observed Veterans Day, helped to mask a shift in views on interest rates by some of the pundits, *writes Terry Byland in New York.*

Municipal and corporate bonds were traded, but institutional interest was at a minimum. In the stock market, prices began to slip lower, also in slack turnover.

The stock market had a dull session, with prices weak until the final half hour when a rally left the Dow Jones industrial average with a net gain of 0.22 at 1,219.19.

Earlier, the Dow was down to around 1,212. Shares traded totalled only 55.7m, about one third below normal trading levels.

The sharp rise in bond market rates towards the end of last week, contrasting with pleas for a further easing in Federal Reserve policies from the newly re-elected Reagan Administration, brought a note of caution from some market economists.

The minutes of the October meeting of the Federal Open Market Committee confirmed that the Fed had eased policy. Some analysts contended however that the U.S. economy is still strong enough to discourage any further accommodation. For this camp, tomorrow's announcement of U.S. retail sales in October will be scanned for signs of consumer buying power.

On the other side of the argument, Dr Henry Kaufman of Salomon Brothers sees "an even chance" that the Fed will lower its discount rate from the current 9 per cent level as it eases policy to keep the economy moving ahead. This side of the case was strengthened by surveys of corporate results for the third quarter, showing that profit growth slowed abruptly.

In the stock market, prices for the blue chips opened steadily, raising hopes that the post-election selling, which had already taken about 20 Dow points off the market, might be dying away. With no institutional interest to help, however, the blue chips soon began to drift downwards.

IBM at $123⅛ shed an early $⅛, Dow Chemical fell $⅜ to $29, Ford Motor $¾ to $47¼, Exxon $⅜ to $43⅜ and General Electric $⅛ to $47⅞. Texas Instruments shaded $⅛ lower to $123 after announcing a new product for the highly competitive small computer market.

With the quarterly reporting season beginning to roll, retail stocks shaded lower. K mart, the leading discounter, dipped $⅜ to $34¾ despite higher profits.

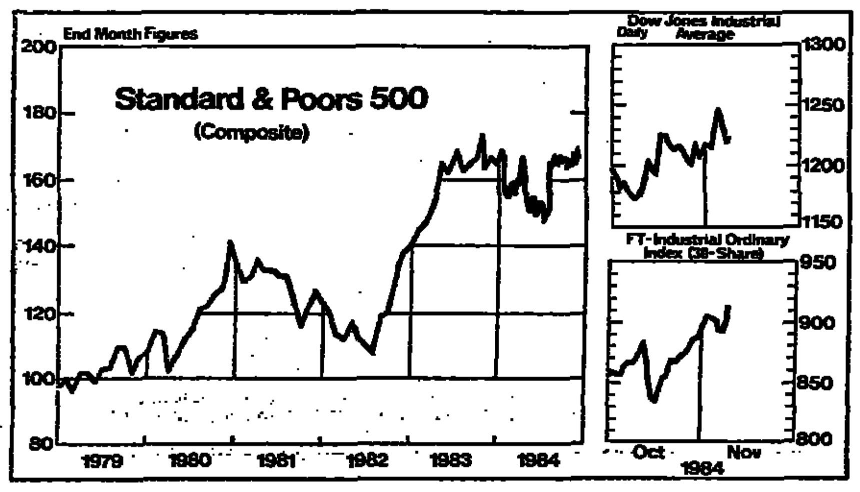
Among brewers, Heileman edged up $⅛ to $15⅞ on declaration of an extra dividend payment. Heileman also offered $10 a share for the equity of rival Pabst Brewing, whose stock remained obstinately at $6¾, despite a second bid at the same price from a private investor group.

Federal Express was another big loser, falling $2⅞ to $34⅞ in heavy volume

Eastman Kodak at $73½ added a further $¼ on consideration of last week's trading statement. At $91½, Morton Thiekel shed $½ of the gain which followed last week's announcement that Dow Chemical plans to increase its stake to as much as 15 per cent – but not to bid outright.

With federal bonds not traded, interest in other debt issues was limited. Where changed, quotations were ⅛ off, although prices were in many cases hardly tested.

KEY MARKET MONITORS



STOCK MARKET INDICES

	Nov 12	Previous	Year ago
NEW YORK			
DJ Industrials	1,219.19	1,218.97	1,250.2
DJ Transport	528.46*	532.43	595.57
DJ Utilities	145.36*	145.77	137.09
S&P Composite	167.00*	167.60	166.29
LONDON			
FT Ind Ord	914.7	900.1	727.4
FT-SE 100	1,175.1	1,164.2	980.2
FT-A All-share	555.05	549.61	456.84
FT-A 500	606.95	600.67	492.91
FT Gold mines	558.9	555.4	513.7
FT-A Long gilt	10.02	10.08	10.04
TOKYO			
Nikkei-Dow	11,235.12	11,239.28	9,305.63
Tokyo SE	849.57	853.36	684.07
AUSTRALIA			
All Ord.	776.0	779.2	712.5
Metals & Mins.	471.4	476.4	522.5
AUSTRIA			
Credit Aktien	57.61	57.63	53.92
BELGIUM			
Belgian SE	161.65	162.10	126.88
CANADA			
Toronto			
Metals & Minls	2,034.6*	2,044.4	2,335.0
Composite	2,413.3*	2,418.5	2,473.3
Montreal			
Portfolio	119.87*	120.11	121.88
DENMARK			
Copenhagen SE	n/a	n/a	189.73
FRANCE			
CAC Gen	180.7	180.6	142.1
Ind. Tendance	119.0	118.9	90.4
WEST GERMANY			
FAZ-Aktien	370.49	372.02	341.38
Commerzbank	1,082.5	1,086.3	1,015.8
HONG KONG			
Hang Seng	1,044.45	1,047.32	844.94
ITALY			
Banca Comm.	211.92	211.28	182.76
NETHERLANDS			
ANP-CBS Gen	179.5	179.5	139.3
ANP-CBS Ind	140.0	139.8	110.6
NORWAY			
Oslo SE	282.54	277.21	198.84
SINGAPORE			
Straits Times	800.79	817.74	935.5
SOUTH AFRICA			
Golds	1,054.4	n/a	748.8
Industrials	895.3	n/a	898.2
SPAIN			
Madrid SE	139.21	138.76	126.02
SWEDEN			
J & P	1,397.1	1,402.2	1,404.28
SWITZERLAND			
Swiss Bank Ind	378.9	380.0	351.3
WORLD	Nov 9	Prev	Year ago
Capital Int'l	187.7	188.5	178.4

GOLD (per ounce)

	Nov 12	Prev
London	$346.75	$346.75
Frankfurt	$346.25	$346.75
Zürich	$346.50	$347.00
Paris (fixing)	$346.29	$345.47
Luxembourg (fixing)	$345.80	n/a
New York (Dec)	$349.20	$347.50

* Latest available figure

CURRENCIES

(London)	U.S. DOLLAR Nov 12	Previous	STERLING Nov 12	Previous
$	–	–	1.267	1.262
DM	2.9465	2.945	3.735	3.715
Yen	240.85	241.0	305.25	303.75
FFr	9.0475	9.035	11.455	11.4325
SwFr	2.416	2.4235	3.0625	3.057
Guilder	3.321	3.323	4.2075	4.19
Lira	1,834.0	1,845.75	2,329.5	2,327.0
BFr	59.6	59.625	75.65	75.225
C$	1.31765	1.3173	1.6685	1.6615

INTEREST RATES

	Nov 12	Prev
Euro-currencies (3-month offered rate)		
£	10	10⅛
SwFr	4¹⁵⁄₁₆	4⅞
DM	5⅞	5⅞
FFr	11¼	11⅜
FT London Interbank fixing (offered rate)		
3-month U.S.$	9⅝	9¹⁵⁄₁₆
6-month U.S.$	9⅞	10³⁄₁₆
U.S. Fed Funds	closed	9⁷⁄₁₆
U.S. 3-month CDs	closed	9.35
U.S. 3-month T-bills	closed	8.66

U.S. BONDS

Treasury	Nov 9* Price	Yield	Prev Price	Yield
11⅝ 1986	101¹³⁄₃₂	10.77	101⁹⁄₃₂	10.22
12¼ 1991	102²⁹⁄₃₂	11.60	102¹⁹⁄₃₂	11.71
11⅝ 1994	99¹⁷⁄₃₂	11.68	99³¹⁄₃₂	11.79
12½ 2014	107⁷⁄₃₂	11.61	106¹⁵⁄₃₂	11.69
Corporate	Nov 12*		Prev	
AT&T	Price	Yield	Price	Yield
10⅜ June 1990	93⅞	11.90	93⅞	11.90
3⅞ July 1990	71	10.85	71	10.86
8¾ May 2000	76⅛	12.20	76⅛	12.20
Xerox				
10⅞ March 1993	92½	12.10	92½	12.10
Diamond Shamrock				
10¾ May 1993	91½	12.25	91½	12.25
Federated Dept Stores				
10⅞ May 2013	85½	12.50	85½	12.50
Abbot Lab				
11.80 Feb 2013	93	12.70	93	12.70
Alcoa				
12¼ Dec 2012	95½	12.85	95½	12.85

FINANCIAL FUTURES

CHICAGO	Latest	High	Low	Prev
U.S. Treasury Bonds (CBT) 8% 32nds of 100%				
Dec	70-28	71-04	70-25	70-30
U.S. Treasury Bills (IMM) $1m points of 100%				
Dec	91.44	91.45	91.33	91.35
Certificates of Deposit (IMM) $1m points of 100%				
Dec	90.83	90.83	90.57	90.52
LONDON				
Three-month Eurodollar $1m points of 100%				
Dec	90.23	90.28	90.19	90.17
20-year Notional Gilt £50,000 32nds of 100%				
Dec	110-15	110-17	110-02	109-28

COMMODITIES

(London)	Nov. 12	Prev
Silver (spot fixing)	606.55p	607.75p
Copper (cash)	£1,083.50	£1,084.50
Coffee (Nov)	£2,587.00	£2,585.00
Oil (spot Arabian light)	$28.25	$28.35

LONDON

Predictions of advance are realised

PREDICTIONS that London stock markets would turn upward ahead of the British Telecom issue, due later this month, were fully realised yesterday. The opening of a new trading account took the FT Industrial Ordinary index confidently near May's record of 922.8 to close 14.6 up at 914.7.

Optimism about lower interest rates was again the basic stimulant, although investors were looking for another cut soon in bank base rates. Sterling's continued strong recovery against the dollar and easier short-term money market rates reinforced hopes on this score.

The autumn financial statement announced shortly after 3.30pm was broadly in line with expectations, but values progressed further after hours. Turnover throughout the day was relatively light and restricted by the notable absence of sellers.

Lucas Industries, now recognised as a group with potential electronics earnings in addition to its traditional motor component business, was lively – the announcement of preliminary profits above general expectations took it 31p up 260p.

Gilt-edged securities extended their gains to over a point late in the session, with stock shortages at the longer end. The shorts also rose impressively but index-linked were generally overshadowed.

Chief price changes, Page 30; Details, Page 31; Share information service, Pages 32–33

AUSTRALIA

THE FLOODING which closed the Sydney exchange on Friday left in its wake a damaged computer system which hampered trading on its resumption. Turnover was described as quiet to moderate and the outcome lower.

Selling gained pace in the afternoon but underlying support was identified. BHP held at A$10.50 but North Broken Hill shed 7 cents to A$2.37. Santos lost 10 cents to A$6.30 after taking control of Alliance Oil Development.

SINGAPORE

THE SLIDE in Singapore share values continued unabated, with a 16.95 fall in the Straits Times industrial index taking it to a 21-month low as buyers remained elusive. The broader SE index suffered a sharper 20.33 drop to 562.24.

This was despite ¼ point prime rate cuts, and volume dwindled. Forced selling of blue chips was noted as margin positions in other less marketable issues came under pressure.

Among the banks, OCBC slid 30 cents to S$8.75 and Public Bank 11 cents to S$1.68. Elsewhere Genting fell 20 cents to S$4.72

HONG KONG

PROFIT-TAKING among second-line industrials spread to other Hong Kong sectors, but afternoon support emerged for blue chips to leave a mixed result in light dealings.

Toy maker Playmates made a poor debut – it opened 5 cents above the offer level of HK$1.60 but fell back to a closing HK$1.36.

SOUTH AFRICA

A FIRMER trend developed among Johannesburg golds but trading was sporadic and turnover low.

This was not always reflected among the mining houses, where Anglo-American shed 25 cents to R24.15. Mineral Resources, its foreign investment unit, gained 15 cents to R13.25. Rand London coal group jumped R3 to R74.

The maintained earnings and dividend reported by Barlow Rand boosted it 15 cents to R10.75. Trust Bank, actively traded, advanced 20 cents to R2.60 – in possible recognition of the widening margin between market interest rates and prime lending rates.

CANADA

THE PARTIAL holiday in Canada made for slow turnover and brought few marked sectoral shifts, although the trend tended to be weaker.

The oil and gas sector trailed Toronto amid poor corporate results, while Montreal could find little impetus for an advance in any area.

TOKYO

Big blocks crossed but mood wary

SHARE PRICES closed slightly lower in Tokyo yesterday with investor interest limited to medium- and low-priced issues backed by particular incentives, *writes Shigeo Nishiwaki of Jiji Press.*

The Nikkei-Dow market average dipped just 4.16 to 11,235.12. Trading volume was relatively high at 446.25m shares, although down from 518.93m on Friday, thanks to large-lot buy and sell orders by Nomura Securities. Gains outran losses by a narrow 364 to 345, with 160 issues unchanged.

In early trading, Nomura crossed buy and sell orders for 10m shares each of Mitsubishi Heavy Industries and Nippon Steel and for about 5m shares each of Kawasaki Steel and Sumitomo Metal Industries.

The nation's largest brokerage house explained it had accepted sell orders placed by foreigners for selling to business corporations. No notable movements in the prices resulted, though.

Speculative trading continued from last week. In view of the weak undertone on Wall Street and foreigners' continued excess selling in Japan, investors sought quick capital gains through issues prone to violent price fluctuations.

As a result, issues priced from about Y300 to Y500 were actively traded. Meidensha Electric in particular attracted massive buy orders on the strength of persistent interest in semiconductor-related issues, gaining Y100 to Y630.

The issue scored a daily limit gain of Y100 for the third consecutive trading day, prompting the Tokyo Stock Exchange to lower its maximum daily price range to Y50 with effect from today.

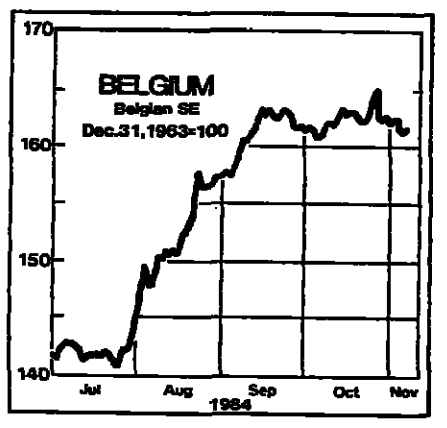
Buying interest extended to other medium-sized heavy electricals, with Shinko Electric adding Y61 to Y331 in brisk trading and Fuji Electric Y13 to Y320. Shinko Electric was the fourth most active stock with 15.08m shares changing hands.

Osaka Transformer and Takaoka Electric advanced Y37 and Y49 to Y410 to Y320 respectively.

Seitetsu Kagaku, a non-dividend issue, spurted Y96 to Y597, but Toho registered a daily limit gain of Y2,000 to Y13,600 and Mochida Pharmaceutical scored a daily limit drop of Y500 to Y14,150.

Buying interest in blue chips was weak, mirroring Japanese-U.S. economic friction. Matsushita Electric Industrial lost Y20 to Y1,570, Ricoh Y20 to Y1,000 and Fanuc Y200 to Y10,900, while Canon gained Y20 to Y1,510 and NEC Y20 to Y1,270.

Bond trading was very inactive. A further decline in U.S. interest rates promted some securities companies to place buy orders in early trading. But selling gradually increased later with the yield on the benchmark 7.3 per cent government bond, due in December 1993, unchanged at 6.685 per cent.



EUROPE

Watching brief is maintained

INVESTORS maintained a watching brief in many of the European bourses yesterday, with Wall Street's lower post-election trend and an absence of buying incentives leaving trading at only moderate levels.

A wary **Frankfurt** mood left a mixed result, and the Commerzbank index moved down 3.8 at 1,082.5.

Motor manufacturers had a bad day, with Volkswagen down DM 2.30 to DM 193.90, Daimler DM 7.50 to DM 562.50 and Porsche DM 15 to DM 996. BMW eased 50 pfg to DM 375.50.

The declines coincided with comments by the president of the VDA motor industry association that the debate over possible speed limits and government plans to reduce exhaust emission had unsettled the domestic car market and was dampening orders.

Analysts also noted that the dollar's recent declines would reduce foreign earnings for the car makers.

Banks were steady ahead of forthcoming 10-month earnings figures. Commerzbank added 40 pfg to DM 175 and Dresdner DM 1.40 to DM 185.80, but Deutsche Bank slipped 10 pfg to DM 378.50.

Construction company Philipp Holzmann was unchanged at DM 362 as it announced higher turnover in the first nine months but warned that growth could be expected to decline over the rest of the year.

Metallgesellschaft added 50 pfg to DM 219. It plans to build up its interest in special chemicals and is seeking a partner in the U.S. to help expansion.

Insurer Munich Re put on DM 10 to DM 1,170 as it said it expects to hold last year's DM 9 dividend on results for the year to next June.

Bonds ended steady in a quiet session which lacked new factors but which saw sentiment remain firm.

The Bundesbank sold DM 9.3m of paper after its DM 9.9m of purchases last Friday.

A thin day's trading was seen in **Amsterdam** although copier maker Océ van der Grinten put on Fl 2.50 to Fl 270.50 amid foreign demand.

Unilever dipped 90 cents to Fl 305. The market is expecting good third quarterly results today.

KLM eased 30 cents to Fl 42.10 following Friday's comments by its vice-president that fiscal 1985 profits are expected to be higher.

Bonds were little changed in very quiet trading.

Brussels drifted lower with wiremaker Bekaert not quoted due to an order imbalance. On Friday, the share was quoted at BFr 4,700.

Luxembourg steelmaker Arbed dipped BFr 20 to BFr 1,760 despite a statement from the company denying reports that several executives were preparing to step down.

In the financial sector, Groupe Bruxelles Lambert was unchanged at BFr 2,320 as shareholders approved the fourth rights issue in three years that will raise BFr 6.37bn.

A mixed to softer tone was seen in **Zürich.** However, Oerlikon-Bührle fell SwFr 40 to SwFr 1,300 amid market speculation that the Swiss Government may not go ahead with a large military order.

Bonds were firmer on hopes of a further fall in U.S. interest rates.

A featureless session was seen in **Paris.** BSN-Gervais, the foods and biotechnology group, edged FFr 2 lower to FFr 2,400 as it announced higher group consolidated turnover for the first nine months on figures reflecting the introduction of a new accounting system.

Club Med eased FFr 3 to FFr 1,045 amid reports that France plans to begin easing some currency controls in the next few days.

Stockholm suffered its fifth consecutive trading decline while **Milan** ended mixed. Against the trend, **Madrid** edged higher, with the advance led by the electricals sector.

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev Close
23½	13¾	AAR	.46	2.2	19	9	21¼	21⅛	21¼	-⅛
30½	9⅝	AGS			9	29	11½	11¼	11⅜	+¼
22	13½	AMCA	n	1	6.5	10	15½	15½	15½	
18⅛	13⅛	AMF	.50	3.3	85	414	15⅜	15⅛	15⅛	
41⅞	24¼	AMR			5	2153	31⅞	31⅛	31⅝	+½
20⅛	18¼	AMR	pf2.18	11		14	19½	19⅜	19⅜	
41½	27½	AMR	pf2.13	6.4		308	33⅜	32⅝	33¼	-⅛
15¾	8½	APL			4	10	13⅜	13⅛	13⅛	-⅛
69⅞	40⅝	ARA	2.10	3.0	14	1588	u70⅜	70	70⅜	+⅜
69¼	44⅝	ASA	3a	5.1		223	59⅛	58½	59⅛	+⅜
30⅛	16½	AVX	.32	1.7	11	170	19	18¾	18¾	-¼
50½	36¼	AbtLab	1.20	2.8	13	1634	43	42⅝	42⅞	-⅛
23⅝	16½	AccoWd	.5		15	107	22⅝	22½	22⅝	+⅛
27¼	12⅜	AcmeC	.40	2.6		43	15⅜	14⅝	15⅜	
12⅛	8¼	AcmeE	.32b	3.4	13	9	9¼	9½	9½	-¼
18¾	15	AdaEx	2.11e	13		50	16⅝	15⅝	16½	
18⅞	11⅝	AdmMl	.32	2.1	8	50	15½	15	15	-⅛
22	13½	AdvSys	.811	5.5	14	45	14¾	14⅝	14⅝	+⅛
41⅛	25¼	AMD			14	3304	31¼	30⅝	31¼	-⅛
14⅝	7⅞	Advest	.12	1.4		17	8⅛	8½	8¼	
16⅞	8⅛	Aerflex			11	29	12	11⅝	11⅞	+⅛
39	27¼	AetnLf	2.64	7.5	29	579	35⅜	35⅛	35⅜	+⅛
58⅛	52⅞	AetL	pf5.78e	10		282	55⅝	55	55⅝	+⅜
34½	15¾	Ahmns	1.20	4.7	11	607	25⅞	25½	25⅞	+⅛
5½	2⅜	Aileen				7	2⅞	2⅞	2⅞	
49⅛	36½	AirPrd	1.20	2.6	10	627	45⅜	45	45⅜	+⅛
30⅞	13	AirbFrt	.60	3.0	11	167	20⅛	19¾	19⅞	
3⅞	1⅞	AlaMoa	.50e	13		125	3⅝	3⅛	3⅞	
31⅞	26⅛	AlaP	pfA3.92	13		8	30⅛	30⅛	30⅛	+⅛
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

B-B-B

[illegible]

C-C-C

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D-D-D

[illegible]

E-E-E

[illegible]

F-F-F

[illegible]

G-G-G

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H-H-H

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I-I-I

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J-J-J

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K-K-K

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L-L-L

[illegible]

M-M-M

[illegible]

N-N-N

[illegible]

Continued on Page 29

AMERICAN STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]										

Continued on Page 30

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

Continued from Page 28

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]										
29⅛	20½	Warnco	.88	4.0	9	43	22⅛	21⅞	22¼	−⅛
29⅝	17	WmCm	50t			1440	20½	20⅛	20¼	−⅛
35¼	27¼	WarnrL	1.48	4.3	13	866	34½	34⅛	34¼	+⅛
18	14⅛	WashG	s		7	142	17¼	17⅛	17⅛	−⅛
28½	15⅜	WshNat	1.08	4.9	12	99	22½	22	22⅛	−⅛
21½	16	WshWt	2.48	13	7	192	19⅝	19⅛	19¼	+⅛
48¼	27¼	Waste	.80	1.9	15	165	42⅝	42	42⅛	−⅛
30¼	18	WatkJ	s.32	1.4	14	86	23½	23	23¼	−¼
15	10⅞	WayGos	.20	1.8	11	11	11¼	11⅛	11⅛	−⅛
12	9	Wean	pf.35k			1	11½	11½	11½	−⅛
24⅛	12⅛	WebbD	.15e	.7	14	158	20¼	20⅛	20¼	+⅛
36½	28	WeisMk	.64	1.8	13	17	34⅞	34½	34⅝	−⅛

Continued on Page 30

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a–dividend also extra(s). b–annual rate of dividend plus stock dividend. c–liquidating dividend. cld–called. d–new yearly low. e–dividend declared or paid in preceding 12 months. g–dividend in Canadian funds, subject to 15% non-residence tax. i–dividend declared after split-up or stock dividend. j–dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k–dividend declared or paid this year, an accumulative issue with dividends in arrears. n–new issue in the past 52 weeks. The high-low range begins with the start of trading. nd–next day delivery. P/E–price-earnings ratio. r–dividend declared or paid in preceding 12 months, plus stock dividend. s–stock split. Dividends begins with date of split. sls–sales. t–dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u–new yearly high. v–trading halted. vi–in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd–when distributed. wi–when issued. ww–with warrants. x–ex-dividend or ex-rights. xdis–ex-distribution. xw–without warrants. y–ex-dividend and sales in full. yld–yield. z–sales in full

WORLD STOCK MARKETS

AUSTRIA

Nov. 12	Price Sch.	+ or −
Creditanstalt	216	......
Goesser	329	+1
Interunfall	389	......
Laenderbank	217	−1
Perlmooser	352	......
Steyr Daimler	155	......
Veitscher Mag.	247	−2

BELGIUM/LUXEMBOURG

Nov. 12	Price Frs.	+ or −
B.B.L.	1810	......
Bekaert B	47,00	......
Ciment CBR	2,635	......
Cockerill	294	−6
Delhaize	5,800	......
EBES	2,785	−15
Electrobel	8,570	−130
Fabrique Nat	2,195	−5
GB Inno BM	3,165	−15
GBL (Brux)	2,320	......
Gevaert	3,610	+5
Hoboken	6,270	......
Intercom	2,135	−15
Kredietbank	7,500	......
Pan Hldgs	9,900	......
Petrofina	7,340	+30
Royale Belge	10,000	......
Soc. Gen. Banq	3,185	+5
Soc. Gen. Belge	1,825	−10
Sofina	8,200	+40
Solvay	4,400	−35
Stanwick Intl.	1,420	......
Tractionel	4,105	−45
UCB	6,120	+30
Wagon Lits	3,500	−80

DENMARK

Nov. 9	Price Kr %	+ or −
Andelsbanken	279	......
Baltic Skand	560	−5
CopHandelsbank	275	−4
D. Sukkerfab	545	−5
Danske Bank	273	−1
De Danske Luft.	1050	......
East Asiatic	172	......
Forenede Brygg	785	−5
Forenede Damp	102	......
GNT Hldg	390	−5
I.S.S.S.	379	−51
Jyske Bank	507	−8
Novo Ind.	1,210	+5
Privatbanken	246	−2
Provinsbanken	335	−2
Smidth (F.)	232	−2
Sophus Berend	905	−10
Superfos	459	−5

Prices were unavailable due to technical fault

GERMANY

Nov. 12	Price Dm.	+ or −
AEG-Telef.	103.3	−1.2
Allianz Vers	1,050	+1
BASF	168.5	−0.8
Bayer	182.1	−0.2
Bayer-Hypo	313	−1
Bayer-Verein	327	......
BHF-Bank	278.5	+0.5
BMW	375.5	−0.5
Brown Boveri	194.3	+0.3
Commerzbank	175.0	+0.4
Cont'l. Gummi	118.0	−0.6
Daimler Benz	662.5	−7.5
Degussa	369.5	+0.5
D'sche Babcock	149	−4
Deutsche Bank	378.5	−0.1
Dresdner Bank	185.8	+1.4
GHH	154.5	−3.0
Hochtief	470	......
Hoechst	177.2	+0.1
Hoesch Werke	107.0	−0.6
Holzmann (P.)	362	......
Horten	182.0	−1.5
Hussel	295	......
Karstadt	243.5	−0.7
Kaufhof	231.0	−6.5
KHD	259.5	+2.5
Kloeckner	72.2	−0.9
Linde	364	−6
Lufthansa	176	−2
MAN	147	−2
Mannesmann	153.5	......
Mercedes Hld	489.0	−6.5
Metallgesell	219.0	+0.5
Munech Rueck	1,170	+10
Nixdorf	528.5	−4.5
Porsche	996	−15
Preussag	249.1	−0.9
Rhein West Elect.	166.1	......
Rosenthal	256	......
Schering	400	−4
Siemens	452.7	−0.8
Thyssen	82.7	−0.4
Varta	178	......
Veba	168	−1
V.E.W.	121.0	+0.5
Verein-West.	294	......
Volkswagen	193.9	−2.3

ITALY

Nov. 12	Price Lira	+ or −
Banca Com'le	16,049	+269
Bastogi IRBS	105	+0.5
Centrale	2000	+20
Credito Varesino	3,800	−45
Fiat	1,801	−8
Finsider	48	+1
Generali Assicur.	30,260	+60
Invest	2,771	......
Italcementi	58,790	+40
[illegible]		

FRANCE

[illegible]

NETHERLANDS

[illegible]

NORWAY

Nov. 12	Price Kroner	+ or −
Bergens Bank	151	+2
Borregaard	307	+4.5
Christiania Bank	150	−1
DenNorske Cred	163.5	
Elkem	127	+6
Kvaerner	177.5	+1.5
Norsk Data	360	+12
Norsk Hydro	117xd	
Storebrand	197	

SPAIN

[illegible]

SWEDEN

[illegible]

SWITZERLAND

[illegible]

AUSTRALIA

[illegible]

JAPAN

[illegible]

HONG KONG

[illegible]

SINGAPORE

[illegible]

SOUTH AFRICA

[illegible]

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

CANADA

TORONTO

Prices at 2.30pm November 12

[illegible]

Total sales 3 536 354 shares

MONTREAL

Closing prices November 9

18299	Bank Mont	$23¾	23⅝	23¾	+ ⅛
2420	ConBath	$16	16	16	
890	DomTxtA	$13	12⅞	13	− ¼
1100	MntTrst	$12⅞	12½	12⅞	+ ⅛
26361	NatBk Cda	$13⅞	13⅞	13⅞	
21952	Power Corp	$26⅛	25⅞	26⅛	+ ⅛
3300	RollandA	$14⅝	14⅝	14⅝	+ ⅛
100	RollandB	$14¼	14¼	14¼	+ ¼
5912	Royal Bank	$28¾	28½	28½	− ¼
860	RoyTrstco	$34⅞	34⅞	34⅞	
1000	SteinbrgA	$24½	24½	24½	− ¼

Total sales 1,410 954 shares

AMERICAN STOCK EXCHANGE CLOSING PRICES

Continued from Page 29

[illegible]

OVER-THE-COUNTER

Nasdaq national market, 2.30pm prices

[illegible]

NEW YORK CLOSING PRICES

Continued from Page 29

[illegible]

LONDON

Chief price changes
(in pence unless otherwise indicated)

RISES

Ex 10 89	£97⅛	+£⅝
Ex 13¼ 94	£115¼	+£1
AE	104	+ 5
Amersham Intnl	313	+25
Audio Fidelity	43	+ 7
Blue Circle	490	+10
BrAm&Gen Tst	99	+ 8
Burton	374	+11
Cookson	445	+20
Courtney, Pope	210	+10
Dowty	179	+ 6
E. Lancs Paper	87	+ 6
Hanson Trust	266	+ 9
Int Signal	268	+10
Kwik Save Disc.	174	+ 8
Laing (J)	211	+12
Lucas Inds	260	+31
Polly Peck	254	+14
Samuelson	900	+75
Savoy Hotel A	355	+17
Smiths Inds	654	+19
Unigate	151	+ 6
Valor	166	+10
Aran Energy	47	+ 7
Eglinton O&G	52	+ 7
Oliver Pros	230	+40

FALLS

Equipu	165	− 8
Ferguson Ind.	148	−18
Hunting Gibson	85	− 6
Rothmans Intnl	146	− 7

Continued on Page 38

LONDON STOCK EXCHANGE

MARKET REPORT

Interest rate euphoria takes equities to new peaks

Gilts also respond strongly

Account Dealing Dates

Option *First Dealings	Declarations	Last Dealings	Account Day
Oct 29	Nov 8	Nov 9	Nov 19
Nov 12	Nov 22	Nov 23	Dec 3
Nov 26	Dec 6	Dec 7	Dec 17

* "New-time" dealings may take place from 9.30 am two business days earlier.

Many investment advisors had predicted that London stock markets would turn positively higher ahead of the British Telecom issue, due later this month, and these hopes were fully realised yesterday. Leading shares and Government stocks powered higher on the opening session of a new trading Account to the extent that broader measurements of the equity market trend attained all-time peak levels. The FT Industrial Ordinary share index confidently neared last May's record of 922.8 to close 14.6 up at 914.7.

Optimism about lower interest rates both in the UK and America was again the basic stimulant. Investors were looking for another cut soon in clearing bank base rates following last Friday's reductions in mortgage rates, and also for a lower U.S. Federal Reserve Discount rate: the Fed confirmed over the weekend a move to relax U.S. monetary policy. Sterling's continued strong recovery against the dollar, despite the pressures usually associated with cheaper money, and easier short-term money market rates reinforced hopes on this score.

The continued drift back to work in the coalfields and news of the September rise in UK industrial production completed a cheerful market scenario awaiting the Chancellor's autumn statement. This was announced shortly after 3.30 pm and was broadly in line with expectations, but stock and share values progressed further in the after-hours' trade. Turnover throughout the day was relatively light and restricted by the notable absence of sellers but Lucas Industries, now recognised as a group with potential electronic earnings in addition to its traditional motor components interests, was a lively counter. The announcement of preliminary profits some £8m above general expectations, fully justified the recent re-rating, and the shares shot up 31 to 260p.

Gilt-edged securities extended their gains to over a point late in the session. The authorities sold the £20-paid tap stock, Exchequer 9¾ per cent 1998 "A" early in the day at 20¾ and then withdrew to await a higher bid. The gains among other longer-dated stocks were accentuated by stock shortages and quotations, after coming away from highest in the mid-afternoon, went ahead again after-hours. The shorts also rose impressively but index-linked were generally overshadowed.

Clearers improve

The clearing banks attracted only a modicum of interest, but closed firmer for choice. Barclays were unaffected by news that Allied Arab Bank, in which it has a 20 per cent stake, is to undergo a £41m rescue operation and closed 5 dearer at 533p. Discount Houses continued to reflect merger hopes, but closed below the day's best. Clive touched 69p following Press comment before closing unaltered at 67p. King and Shaxson put on 4½ to 178p xd, while Seccombe Marshall and Campion gained 5 to 365p; the latter's interim results are scheduled for Thursday. Hire Purchases gained ground on cheaper money hopes. Wagon Finance stood out with a rise of 4 at 56p.

Commercial Union, having fallen 11 last week on fund-raising fears, rallied 3 to 166p in front of today's third-quarter figures. General Accident advanced 8 to 473p xd; it was announced yesterday the Kuwait Investment Office now owns 11.7m shares in the company. GRE put on 10 to 645p and Royals firmed 3½ to 480p xd. Recently dull on speculation that the Chancellor could impose stringent taxes on the pensions industry, Life issues recovered well. Prudential advanced 13 to 478p and London and Manchester, 578p, and Pearl, 903p, gained 8 apiece.

North Sea oil group Monument Oil and Gas were introduced to the Unlisted Securities Market and closed at 30p, after 32p: the company holds the oil and gas exploration interests excluded from the recent sale of Minster Assets' insurance and financial services business to GAN, the French insurance group.

Growing optimism about a further cut in interest rates gave a fresh boost to Buildings. Renewed demand found the market short of stock and prompted further good gains among the leaders. Blue Circle were prominent and rose 10 to a 1984 peak of 490p, while buying ahead of the interim results due on November 29 lifted Redland 7 to 295p; the warrants moved up 22 points to £182. BPB Industries, also reporting first-half figures at the end of the month, firmed 7 to 302p. Press comment stimulated Rugby Portland Cement, up 4 at 130p. Taylor Woodrow shrugged aside fund-raising suggestions and advanced 11 to 345p, while Costain continued to reflect the sale of its 48.6 per cent interest in its Canadian associate for £23.6m and gained 6 more to 348p. John Laing rose 12 to 211p and Turriff firmed 7 to 270p.

Comment in the Financial Times helped Laporte rise 8 to a 1984 peak of 368p. Elsewhere, better-than-expected interim profits and favourable reports from an analyst's meeting lifted Amersham International 25 to 312p.

Burton buoyant

Leading Retailers made progress where altered, especially Burton which responded to steady demand in front of today's preliminary results and closed 11 dearer at 374p. Gussies "A" advanced 14 to 651p, but House of Fraser bucked the trend with a fall of 6 to 304p awaiting clarification of Lonrho's latest moves in the long-running saga.

Once again, speculative issues provided some noteworthy movement among secondary Stores. Press comment lifted Elys (Wimbledon) 25 to 340p, albeit in a narrow market, while tobacconists Alfred Preedy were again wanted and improved 6 for a two-day gain of 16 at 112p.

MFI rose 7 to a 1984 high of 219p as investors responded afresh to a bullish circular from brokers de Zoete and Bevan.

Movements in Electricals usually favoured holders although overall business volume was light. International Signal and Control advanced 10 to 268p following comment ahead of tomorrow's interim results. Cable and Wireless attracted sporadic support and finished 10 to the good at 347p, while Ferranti gained 6 at 182p. Audio Fidelity jumped 7 to 43p after revived speculative demand and Cambridge Electronic rose 5 to 395p on news of a subsidiary's £14m Ministry of Defence contract. Weekend comment highlighting bid possibilities spurred Muirhead, 4 dearer at 174p, while Microvitec also responded to a Press mention with a rise of 7 at 155p. Plessey, with second-quarter figures due on Thursday, hardened 2 to 230p.

A little selective support was evident in the Engineering sector. Leading issues traded on a quietly firm note, Hawker rising 7 to 414p xd and Vickers 4 to 192p. GKN closed a couple of pence dearer at 182p following news of the proposed acquisition of Tillgate Pallet Services.

Food Manufacturers made a bright showing following favourable Press comment. The sector's takeover favourites were well to the fore with Tate and Lyle 8 higher at 415p and Unigate 6 up at 151p. Elsewhere, United Biscuits moved up 10 to 183p xd and Associated British Foods rose 6 to a 1984 peak of 186p with the latter's Warrants 4½ higher at 46½p. Against the trend, Bensons Crisps fell 6 to 57p following news of a fire at its manufacturing plant at Kirkham, Lancs.

Retailers moved ahead awaiting this week's trading statements from Tesco and Kwik Save. Tesco, half-timer due tomorrow, firmed 4 to 214p, while the latter, annual results due on Thursday, gained 8 to 174p. Argyll and Dee both rose 6, to 217p and 174p respectively, while Albert Fisher added 4 more to 135p xd.

Heightened interest in companies due to report trading statements shortly, brought numerous good features to the miscellaneous industrial sector. Smiths Industries, awaiting tomorrow's preliminary statement, were outstanding with a further rise of 19 to a fresh peak for the year of 654p. Valor, interim results due on Thursday, advanced 10 to 166p, while Polly Peck, which announced half-year figures early in December last year, added 14 further at 254p. Cornell gained 8 to 243p, while Cookson responded smartly to favourable comment with a fresh rise of 20 at 445p. Others to reflect newspaper recommendations included Courtney Pope, 10 to the good at 210p, Booker McConnell, 6½ dearer at 217p xd, and Combined Technology, 3½ higher at 33p. Ferguson Industrial Holdings, in contrast, dipped 18 to 148p following disappointing half-year results, while Equipu fell 8 to 165p on acquisition news and the proposed £1.53m rights issue. Lep Group rose 6 more to 168p ahead of Thursday's interim statement. Leading issues recorded gains of around 5 but Hanson Trust, helped by newspaper comment, were noteworthy for a gain of 9 to 266p.

Further demand in a restricted market lifted Samuelson Group 75 more to 900p.

The impressive performance of Lucas Industries stimulated interest in selected Motor Component suppliers. AE, a lively speculative counter recently, firmed 5 to 104p, while Automotive Products closed 3 to the good at 56p. Dunlop rallied 3 more to 35p following weekend Press comment highlighting the appointment of Sir Michael Edwardes. Recent events in the prolonged miners' dispute prompted fresh demand for Dowty, a major equipment supplier, which closed 6 up at 179p.

East Lancashire Paper rose 6 to a new 1984 peak of 87p, a fraction above the revised and quickly rebuffed offer from British Syphon, a penny cheaper at 79p. Bemrose were marked 5 lower at 155p following the chief executive's warning that the company's predicted profits recovery will be delayed due to problems connected with its new cheque printing process.

Business in Properties was in low key awaiting today's half-timer from Land Securities, up 3 at 312p, while MEPC, annual results due at the end of the month, firmed 4 to 326p. Elsewhere, Regalian gained 4 to 80p in reply to near-doubled half-year profits and news of a joint venture with Tarmac to carry out urban renewal projects. Press comment stimulated Grosvenor Square Properties, up 4 at 96p.

Interest in Textiles centred on Tootal which firmed a couple of pence to 65pxd following news of further share purchases by Entrad; the Australian concern now holds 12.8m shares.

Tobaccos were irregular. Bats, 275p, and Imps, 165p, both hardened a few pence, but Rothmans International, unsettled by talk of problems with its Canadian operations, slipped 7 to 148p.

British American and General Trust rose 8 to 99p on Transcontinental Services' acquisition of just under 15 per cent of the equity capital. Yelverton touched 40p before reverting to Friday's 34p following the boardroom reshuffle and news that Clabir International, the U.S. domiciled investment concern, had taken a near-20 per cent stake.

Irish oils wanted

Oliver Prospecting were the latest of the speculative Irish stocks to emerge as a front-runner in the oil sector; up 50 last week amid vague rumours of a gas discovery in the Celtic Sea the shares jumped to a 1984 high of 235p prior to settling a net 40 to the good at 230p.

Other Irish issues staged a strong rally after the recent prolonged period of weakness. Atlantic Resources moved up 4 to 58p, after 60p, despite confirmation that Celtic Sea well 40/10-1 has been plugged and abandoned following disappointing drilling results. Aran Energy rallied 7 to 47p and Osceola Hydrocarbons gained a similar amount to 70p. Bryson Oil and Eglinton Oil, both seeking oil in Colombia, attracted renewed speculative interest with Bryson finally 15 up at 115p and Eglinton 7 better at 52p.

Golds improve

Mining markets failed to attract any significant buying interest but nevertheless made modest progress. A steady bullion price, and a firm Rand rate against the dollar encouraged light demand for South African Gold and related issues which ended the day with widespread gains. The Gold Mines index put on 3.5 to 558.9.

South African Financials were a subdued market, but Rand Mines Properties continued to attract Johannesburg support and closed a further 25 higher at 575p. Minorco remained the focus of substantial American interest and the shares advanced 25 more to 600p.

Good gains in domestic equities and talk of a stock shortage prompted renewed strength in Rio Tinto-Zinc which moved up

The recent upsurge in Australians was halted by the lacklustre showing by Wall Street over the past few days. Leading diversified stocks were generally a few pence easier across the board, while many of the recently fashionable gold issues attracted steady profit-taking. Meekatharra, on the other hand, continued to draw speculative support and jumped 8 more to a 1984 high of 118p.

FINANCIAL TIMES STOCK INDICES

	Nov. 12	Nov. 9	Nov. 8	Nov. 7	Nov. 6	Nov. 5	Year ago
Government Secs	83.37	82.81	82.62	82.89	82.64	82.64	83.84
Fixed Interest	85.87	85.56	85.43	85.50	85.33	85.23	85.86
Industrial Ord	914.7	900.1	893.5	894.1	901.0	903.1	727.4
Gold Mines	558.9	555.4	562.6	541.4	535.9	524.9	513.7
Ord. Div. Yield	4.67	4.73	4.76	4.76	4.73	4.72	4.73
Earnings, Yld.% (full)	11.13	11.29	11.36	11.34	11.27	11.26	9.39
P/E Ratio (net) (*)	10.79	10.63	10.56	10.58	10.64	10.67	13.30
Total bargains (Est.)	24,250	21,652	21,063	21,042	21,872	18,307	21,238
Equity turnover £m.	—	377.41	314.21	312.61	313.33	260.26	260.43
Equity bargains	—	23,662	19,949	17,560	19,292	19,535	21,086
Shares traded (ml)	—	226.6	171.9	166.3	158.2	141.3	145.8

10 am 901.8. 11 am 906.7. Noon 910.3. 1 pm 912.2. 2 pm 912.4. 3 pm 912.2.

Basis 100 Govt. Secs. 15/2/26. Fixed Int 1928. Industrial 1/7/35. Gold Mines 12/9/55. SE Activity 1974.

Latest Index 01-246 8026.

* Nil=10.2.

HIGHS AND LOWS / S.E. ACTIVITY

	1984 High	1984 Low	Since Compilat'n High	Since Compilat'n Low		Nov. 9	Nov. 8
Govt. Secs	83.77 (9/1)	75.72 (30/7)	127.4 (9/1/35)	49.48 (3/1/75)	Daily Gilt Edged Bargains	159.3	160.1
Fixed Int	87.48 (14/3)	80.43 (30/7)	155.4 (28/11/47)	50.53 (3/1/75)	Equities Bargains	153.5	129.5
Ind. Ord.	922.8 (3/5)	755.3 (25/7)	922.8 (3/5/84)	49.4 (26/6/40)	Value	762.6	636.3
Gold Mines	711.7 (9/3)	485.7 (7/6)	734.7 (15/2/83)	43.5 (26/10/71)	5-day Average Gilt Edged Bargains	178.5	181.7
					Equities Bargains	129.5	123.9
					Value	657.9	641.3

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Mon Nov 12 1984 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (ACT at 30%)	Est. P/E Ratio (Net)	Fri Nov 9 Index No.	Thur Nov 8 Index No.	Wed Nov 7 Index No.	Tues Nov 6 Index No.	Year ago (approx.) Index No.
1 CAPITAL GOODS (205)	555.47	+1.3	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
2 Building Materials (23)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
3 Contracting, Construction (30)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
4 Electricals (14)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
5 Electronics (34)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
6 Mechanical Engineering (61)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
8 Metals and Metal Forming (9)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
9 Motors (17)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
10 Other Industrial Materials (17)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
21 CONSUMER GROUP (190)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
22 Brewers and Distillers (23)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
25 Food Manufacturing (21)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
26 Food Retailing (12)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
27 Health and Household Products (9)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
29 Leisure (23)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
32 Newspapers, Publishing (13)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
33 Packaging and Paper (14)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
34 Stores (46)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
35 Textiles (19)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
36 Tobaccos (3)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
39 Other Consumer (7)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
41 OTHER GROUPS (88)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
42 Chemicals (17)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
44 Office Equipment (4)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
45 Shipping and Transport (13)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
46 Miscellaneous (54)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
49 INDUSTRIAL GROUP (483)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
51 Oils (17)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
59 500 SHARE INDEX (500)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
61 FINANCIAL GROUP (117)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
62 Banks (6)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
63 Discount Houses (6)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
65 Insurance (Life) (9)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
66 Insurance (Composite) (7)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
67 Insurance (Brokers) (6)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
68 Merchant Banks (12)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
69 Property (54)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
70 Other Finance (17)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
71 Investment Trusts (105)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
81 Mining Finance (4)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
91 Overseas Traders (14)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
99 ALL-SHARE INDEX (740)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

	Index No.	Day's Change	Day's High	Day's Low				
FT-SE 100 SHARE INDEX	1175.1	+18.9	1176.2	1165.2	1164.2	1158.3	1157.3	1161.4

FIXED INTEREST

PRICE INDICES	Mon Nov 12	Day's change %	Fri Nov 9	xd adj. today	xd adj. 1984 to date
British Government 1 5 years	[illegible]	[illegible]	[illegible]	—	[illegible]
2 5-15 years	[illegible]	[illegible]	[illegible]	—	[illegible]
3 Over 15 years	[illegible]	[illegible]	[illegible]	—	[illegible]
4 Irredeemables	[illegible]	[illegible]	[illegible]	—	[illegible]
5 All stocks	[illegible]	[illegible]	[illegible]	—	[illegible]
6 Debentures & Loans	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
7 Preference	[illegible]	—	[illegible]	[illegible]	[illegible]
BRITISH GOVERNMENT INDEX-LINKED STOCKS					
8 All stocks	[illegible]	[illegible]	[illegible]	—	[illegible]

AVERAGE GROSS REDEMPTION YIELDS (British Government: Low, Medium and High Coupons 5, 15 and 25 years; Irredeemables; Debs & Loans 5, 15 and 25 years; Preference; Inflation rate 5% and 10%) — Mon Nov 12, Fri Nov 9, Thur Nov 8, Year ago (approx.): [illegible]

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London, EC4P 4BY, price 15p, by post 28p.

OPTIONS

First Dealings	Last Dealings	Last Declaration	For Settlement
Nov 5	Nov 16	Feb 7	Feb 18
Nov 19	Nov 30	Feb 21	Mar 4
Dec 3	Dec 14	Mar 7	Mar 18

For rate indications see end of Share Information Service

Call options were taken out in Normans, Unigate, Combined Technologies, Oliver Prospecting, Oceonics, Atlantic Resources, Allstate Exploration, Birmid Qualcast, Hestair, Osceola and Quest Automation. A put was done in Dunlop, while doubles were struck in Dunlop and Oliver Prospecting.

ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday.

Stock	Closing price	Day's change
Amersham Intl.	312	+25
Aran Energy	47	+ 7
Bailey (C.H.)	28	+ 2
Booker McConnell	217xd	+ 6½
Burton	374	+11
Cookson	445	+20
Ferguson Ind.	148	−18
Legal & General	482	+ 7
Lucas Inds.	280	+31
Tate & Lyle	415	+ 8
Tootal	65xd	+ 2
Trusthouse Forte	134	+ 2

FRIDAY'S ACTIVE STOCKS

Based on bargains recorded in Stock Exchange Official List.

Stock	No. of changes	Fri. close	Day's change
DRG	24	156	− 4
Birmid Qualcast	22	82½	+ 0½
Johnson Matt'y	22	143	+ 8
Polly Peck	22	240	+10
House of Fraser	19	310	+ 8
Comm. Union	18	163	− 2
Dunlop	17	32	+ 3
Glaxo	17	988	− 2
Jaguar	17	217	+ 2
Lucas Industs.	17	239	+ 5
Beecham	15	203	+ 8
Debenhams	15	203	+ 8
Lonrho	15	159	− 3
STC	15	268	− 6

EUROPEAN OPTIONS EXCHANGE

Series	Vol.	Last	Feb. Vol.	Feb. Last	May Vol.	May Last	Stock
GOLD C $350	22	1.20	8	14.90	—	—	$346.25
GOLD C $375	—	—	6	5.90	5	11.50	"
GOLD C $400	—	—	5	3	—	—	"
(remaining series: Gold P, Silver C/P, $/FL C/P, £/FL C/P, ABN, AEGN, AH, AKZO, AMRO, GIST, HEIN, HOOG, KLM, NEDL, NATN, PETR, PHIL, RD, UNIL)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

TOTAL VOLUME IN CONTRACTS: 12,016

A=Ask B=Bid C=Call P=Put

RECENT ISSUES

EQUITIES

Issue price p	Amount paid up	Latest Renunc. date	1984 High	1984 Low	Stock	Closing price p	+or−	Net Div.	Times covered	Gross Yield	P/E Ratio
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Addison Comms. 5p; Alida; Appledore; Breakmate 10p; CVD Inc; Checkpoint Europe; Oraton Lodge 10p; Domin'n Int. High Inc.; Do. Warrants; Fergebrook 20p; Gableci 5p; Hawtal Whiting 5p; Health Care S'rvc's 5p; Iceland Frozen F.10p; Instem 10p; Klark-Teknik 5p; Media T'nology 20p; Monument Oil 5p; Oldoore 90p; Paul Michael 1/2p; Plasmec 10p; Second Marketing 5p; Share Drug 10p; Stone Intl. 20p; T. & S. Stores 5p; UDO Hldgs. 10p; Wates City of Lon. Prop 10p; Wessanen (Kon.) DFl. 3 [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST STOCKS

Issue price £	Amount paid up	Latest Renunc. date	1984 High	1984 Low	Stock	Closing price £	+or−
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	African Dev. Bank 11¼% Ln. 2010; Cambridge Water 8% Red. Prf. 1988; Do. 13% Red. Deb. 2004/11; Elswick-Hopper 9% Cv.Cum. Pf. '92-94; Estate Prop. Inv. 10% Cnv. 94-99; European Inv. Bk. 10¾% Ln. 2004; Folkestone Water 11½% Red. Deb. 2004; Gable Hse. Prop. 10¼% Cnv. Uns. Ln. '95-2000; Intl. Bk. for Recon. & Dev. 11¼% Ln. 2003; Lon. Shop Prop. 11¼% 1st Mort. Deb. 2015; Marley 11¼% Deb. 2009; Nationwide Bldg. Soc. 11% Bds.; Do. 10¼% Bds.; Normans Grp. 8½% Cnv. Una. Ln. 2000/05; Peel 10% Cum. Pref. 50p; Plant & Gen. 9% Cnv. Uns. Ln. 1999; Priest (Ben) 8% Cum. Cv. Red. Pref.; Racal Elect. 7½% Cnv. Uns. Ln. 2008/14; Slough Ests. 11¼% 1st Mort. Deb. 2015; Son'id & Sth. Shields 11¼% Deb. 2005; Sweden 11¼% Ln. 2012; Tops Ests. 7½% Conv. Uns. Ln. 2014/15	[illegible]	[illegible]

"RIGHTS" OFFERS

Issue price p	Amount paid up	Latest Renunc. date	1984 High	1984 Low	Stock	Closing price p	+or−
80	Nil	—	3pm	1pm	Attwoods	1½pm	−1
38	Nil	12/11	44	42	Baynes (Charles) 10p	44	
100	Nil	15/12	10pm	5½pm	Cambrian & General	6½pm	+1
210	Nil	—	36pm	28pm	Do. Cap 7½p	29pm	+1
240	Nil	15/11	63pm	53pm	GASE 20p	53pm	+3
220	F.P.	16/11	310	267	Renishaw 5p	305	+5
205	Nil	7/12	14pm	7pm	Sovereign Oil	9pm	−2
105	Nil	19/11	22pm	15pm	Television Services 50p	15pm	−2
70	F.P.	6/11	92pm	78pm	Tops Ests. 10p	82pm	

Renunciation date usually last day for dealing free of stamp duty. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. g Assumed dividend and yield. u Forecast dividend cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1985. H Dividend and yield based on prospectus or other official estimates for 1983-84. Q Gross. r Pence unless otherwise indicated. ¶ Issued by tender. ‖ Offered to holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation, merger or take-over. ‖‖ Allotment letters (or fully-paid). • Introduction. ✝ Unlisted Securities Market. ‡ Placing price. † Figures assumed. †† Official London Listing. Shares of no par value.

NEW HIGHS AND LOWS FOR 1984

NEW HIGHS (169)

BRITISH FUNDS (26) · INT. BK. & O'SEAS GOVT. STLG. ISS. (2) · CORPORATION LOANS (1) · LOANS (2) · AMERICANS (1) · BANKS (3) · BREWERS (2) · BUILDINGS (7) · CHEMICALS (4) · STORES (14) · ELECTRICALS (10) · ENGINEERING (13) · FOODS (8) · HOTELS (3) · INDUSTRIALS (32) · INSURANCE (3) · LEISURE (1) · MOTORS (3) · NEWSPAPERS (2) · PAPER (6) · PROPERTY (9) · TEXTILES (4) · TRUSTS (13) · OILS (3) · MINES (3)

FOODS (1): Bensons Crisps · INDUSTRIALS (4): Anglo-African Fin., Dwek Group, Dom Hldgs., Office & Elect. Mach. · LEISURE (1): Riley Leisure · PAPER (2): Bemrose, Ferndedsn · PROPERTY (1): Lond. Mach. Sec. · TRUSTS (2): Cambion Vent. Cap., Fleetch · OVERSEAS TRADERS (1): Nesco Inv. · PLANTATIONS (2): Harrisons M'y Pl., Kuala Kepong · MINES (3): Gopeng Berhad, Malaysia Mining, Pahang

NEW LOWS (22)

BUILDINGS (2): Allied Plant, Western Bros. · CHEMICALS (1): Arrow Chemicals · STORES (1): Sumrie Clothes · ELECTRICALS (1): Crier

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	96	4	4
Corpns. Dom. and Foreign Bonds	33	6	38
Industrials	480	136	742
Fin. and Props.	213	52	263
Oils	46	17	74
Plantations	2	6	9
Mines	56	39	83
Others	57	21	59
Totals	977	405	1,273

LONDON TRADED OPTIONS

Option		Calls Jan.	Calls Apr.	Calls Jly.	Puts Jan.	Puts Apr.	Puts Jly.
B.P. (*488)	390	110	115	—	3	[illegible]	[illegible]
	420	80	87	—	4	[illegible]	[illegible]
	460	45	55	62	13	[illegible]	[illegible]
	500	22	30	40	27	[illegible]	[illegible]
	550	5	12	—	65	[illegible]	[illegible]
Cons. Gold (*509)	460	62	72	80	7	[illegible]	[illegible]
	500	37	44	54	23	[illegible]	[illegible]
	550	20	26	34	57	[illegible]	[illegible]
	600	11	—	—	97	[illegible]	[illegible]
	650	2½	—	—	147	[illegible]	[illegible]
Courtaulds (*127); Com. Union (*166); G.E.C. (*236); Grand Met. (*308); I.C.I. (*676); Land Sec. (*312); Marks & Sp. (*127); Shell Trans. (*656); Trafalgar Ho. (*310); Imperial Gp. (*165); LASMO (*351); Lonrho (*160); P. & O. (*299); Racal (*283); R.T.Z. (*634); Vaal Reefs (*$103)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Option		Calls Nov.	Calls Feb.	Calls May	Puts Nov.	Puts Feb.	Puts May
BAT Inds. (*276); Barclays (*534)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Option		Calls Dec.	Calls Mar.	Calls June	Puts Dec.	Puts Mar.	Puts June
Beecham (*360); Boots (*183); De Beers (*$5.03); Guest Keen (*183); Hanson (*265); Jaguar (*217); Tesco (*214); FT-SE Index (*1176)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Nov. 12. Total Contracts 4,612. Calls 3,128. Puts 1,484

* Underlying security price.

FT LONDON SHARE INFORMATION SERVICE

BRITISH FUNDS

1984 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
		"Shorts" (Lives up to Five Years)				
105⅝	101	Treas. 15pc 1985	102¼		14.62	9.80
102¾	100	Exch. 12pc Cnv. '85	100	−⅛	11.90	9.60
96	93	Treas. 3pc 1985	96 xd	+	3.11	9.75
102⅞	99½	Treas 11½pc 1985	101	+	11.39	9.82
99¾	96	Treas 8½pcCnv '85	99	+	8.83	9.34
104	99⅞	Exch. 12½pc 1985	102¼ xd	+	11.98	9.91
103	99	Exch. 11½pc '86	102	+	11.52	9.96
102	96	Treas. 10pcCnv 1986	100	+	9.98	9.85
92¼	88¼	Treas 3pc 1986	92¼	+	3.26	8.51
102	96¼	Exch. 10½pc Cv '86	100 xd	+¼	10.43	10.03
104	99	Treas 12pc 1986	102 xd	+	11.68	10.11
98	95	Treas 8¾pc 1984-86	97	+	8.72	10.10
108	102	Exch. 14pc 1986	106	+¼	13.16	10.28
87	85	Exch. 2½pc 1986	87 xd	+	2.85	9.17
107	100	Exch. 13¼pc 1987	105	+	12.59	10.41
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Five to Fifteen Years

Over Fifteen Years

Undated

Index-Linked

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH AND AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

1984 High	Low	Stock	Price £	+ or −	Div Gross	C'vr	Y'ld Gr's
38⅞	26⅞	Abbott Labs.	34	..	$1.20	—	2.9
24⅝	11⅝	Ahmanson (H.F.)	20⅛	−¼	$1.20	—	4.8
34¼	22⅞	Alcoa $1	29¼	−¼	$1.20	—	3.3
39½	21⅝	Allied Corp $1	27¼ xd	...	$1.80	—	5.2
18⅝	13¼	Amax $1	14¼ xd	−¼	20c	—	1.1
11	731p	Amdahl 5c	851p	−5	20c	—	1.9
32	18⅝	Amer. Express $0.60	28¼	−¼	$1.28	—	3.6
20⅝	14¼	Amer Medical Int $1	17¼ xd	−¼	60c	—	2.8
31⅞	20⅝	Amer. Nat. Res. $1	30	−¼	$1.41	—	3.8
16¼	10⅛	American T. & T. $1	14⅞	.....	$1.20	—	6.5
63⅞	43½	Ameritech $1	58½	−¼	$6.00	—	8.3
21½	15½	Amfac	18	−½	$1.44	—	6.5
30½	16½	¶AridTech	29½	..	—	—	—
16¼	10⅛	Bankamerica $1	15 xd	−¼	$1.52	—	8.2
44¼	27½	Bankers N.Y. $10	43	−⅝	$2.45	—	4.6
66¼	46⅜	Bell Atlantic $1	61¼	−¼	$6.40	—	8.5
28⅛	19⅝	Bellsouth $1	25½ xd	−⅝	$2.60	—	8.2
20⅞	12⅝	¶Beth Steel $8	14¼	−¼	60c	—	3.4
20¼	11⅝	Bowater Inc.	17	−½	72c	—	3.4
32¼	19⅝	Brown'g-Fer. 16⅔c	28⅝	+¼	96c	—	2.7
28¼	16⅝	Brunswick Corpn.	27¼	.	80c	—	2.4
875p	534p	¶Business Computer	544p	...	—	—	—
32⅝	24⅝	CPC Intnl. 25c	32¼ xd	−⅝	$2.20	—	5.6
13¼	10⅝	CalFed Inc $1.00	13	+¼	32c	—	2.5
58½	39¼	Campbell Soup 60c	54½	−¼	$2.30	—	3.4
36½	24¼	Caterpillar Tractor	26½	−½	50c	—	1.5
37¼	27¼	Chase M'htn $12.5	34½ xd	−¼	$3.65	—	8.6
26½	17⅛	Chemical New York	25	−¼	$2.36	—	7.6
31¼	22⅞	Chesebrough-Pond's $1	29½	+¼	$1.92	—	5.5
27½	15½	Chrysler $6¼	24	−¼	60c	—	2.0
31½	19⅞	Citicorp $4	28¼	−¼	$2.06	—	5.9
34⅞	21⅞	City Inv. $1.25	33	−¼	$2.00	—	4.9
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CANADIANS

BANKS, HP AND LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES AND SPIRITS

BEERS, WINES—Cont.

1984 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
240								
232								
260								
280								
180								

BUILDING INDUSTRY, TIMBER AND ROADS

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY & STORES—Cont.

ELECTRICALS

ENGINEERING

ENGINEERING—Continued

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

HOTELS—Continued

INDUSTRIALS (Miscel.)

هكذا صدر الأصل

INDUSTRIALS—Continued

1984 High	1984 Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

INSURANCES

1984 High	1984 Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LEISURE

1984 High	1984 Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LEISURE—Continued

1984 High	1984 Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

MOTORS, AIRCRAFT TRADES

Motors and Cycles

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Commercial Vehicles

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Components

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Garages and Distributors

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

PAPER, PRINTING ADVERTISING

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

PROPERTY

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

PROPERTY—Continued

1984 High	1984 Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

SHIPPING

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

SHOES AND LEATHER

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

SOUTH AFRICANS

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

TEXTILES

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

TOBACCOS

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

1984 High	1984 Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

INVESTMENT TRUSTS—Cont.

1984 High	1984 Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Finance, Land, etc

1984 High	1984 Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OIL AND GAS

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OIL AND GAS—Continued

1984 High	1984 Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OVERSEAS TRADERS

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

PLANTATIONS

Rubbers, Palm Oil

1984 High	1984 Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Teas

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

MINES

Central Rand

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Eastern Rand

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Far West Rand

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

O.F.S.

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Finance

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Diamond and Platinum

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

MINES—Continued

Central African

1984 High	1984 Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's
280	145	Falcon Z50c.	250	.....	Q100c	♦	38.9
17	8	Wankie Col. Z$1	9½	.....	—	—	—
21	14	Zam.Cpr.SBD0.24	15	.....	—	—	—

Australians

1984 High	1984 Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's
48	23	♦ACM 50c	45	–2	—	—	—
38	17	♦Allstate Expl'n. NL	24	+1	—	—	—
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Tins

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Miscellaneous

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

NOTES

[illegible]

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

[illegible]	[illegible]	[illegible]	[illegible]

OPTIONS — 3-month call rates

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

A selection of Options traded is given on the London Stock Exchange Report page.

"Recent Issues" and "Rights" Page 35

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £900 per annum for each security.

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

Abbey Unit Tst. Mngrs. (a)
1-3 St Paul's Churchyard, EC4P 4DX. 01-236 1833

High Income				
Gilts & Fixed Int.	115 7	122 4	+1.0	9.80
High Inc Equity	64 3	68.4	+0 2	6.58
Worldwide Bond	149.9	159.5	−0 5	6 08
Capital Growth				
American Growth	115 7	123.1	−1 5	1.88
Assets & Emgs. Tt.	64.8	69.3	+0.2	3.25
Capital Reserve (z)	95.8	96 1	+0 4	0 75
Commodity & Engy.	76.8	82.1	−0.6	2.72
General	97.8	104 6	+1.2	2 91
Japan	160.4	171 6	−1.1	0.00
UK Growth	60 8	65.4	+0.5	2 60
Acc. Units	85 9	92.4	+0 7	2.60
U.S. Emerging Co's	49.4	52.6	−0.3	0 41
Equitas Prog.	140.7	150.5	+1 0	3.92

Aitken Hume
30, City Road, EC1Y 2AY. 01-628 6626

American Tech Fd.	116.2	124 3	..	0.20
Exempt	406.4	434.9	....	—
Pacific Fd	131 3	140 5	+0 6	0 40
Secured Income Fd	124.4	133 2	+0 1	5.88
Special Sits	149.5	159 9	+0 8	1.56
Energy Fd	35 4	37 8	+0 1	0.60
American Majors	51.5	55.1	−0 4	2.70
Small Co's Fd (10for1)	26.5	28.3	+0.2	2.26
Jap. Technology	63.8	68.3	−0.2	0.20

Allied Unit Trusts Limited (a)(g)
Allied Hambro House, Hutton, Brentwood, Essex
Brentwood. (0277) 211459 & 229123

Balanced Trusts and Income Trusts				
First Trust	247 0	255.8	+1.7	4 64
Growth & Income Tst.	93 4	99 0	+1 0	4 01
Capital Trust	175.7	186.2	+3 0	3.02
Balanced Trust	258 6	274.1	+3.0	3 91
Accum. Trust	375 9	398.4	+5.5	3 57
American Income	26 1	27.7	−0.5	4 51
High Income Trust	162 0	171 7	+1.6	5 74
Equity Income Trust	90.1	95 5	+0 7	6 95
High Yield Trust	106 3	112 7	+0.8	6.95
Govt. Secs.Trust	28 6	29.8	+0.3	9 66
International Trusts				
International Trust	61.2	64.9	−0.2	1.82

Britannia Group—Continued

General Funds				
UK Growth (Domestic)	27 9	29.8	..	3 42
Exempt Funds				
Exempt	288.6	302.2	.. ..	4.80
Ex. Mkt. Ldrs	58.7	61.5	.. ..	3.50
NEL Trusts				
Nelstar Gilt & F.I.	66.2	67 9	....	9.54
Nelstar High Income	52.4	55 2	....	6.95

Brown Shipley & Co. Ltd. (a)(g)
9-17 Perrymount Rd, Haywards Hth 0444 458144

B.S. Fund	44.5	47.2	+0.4	4 60
B.S. Accum	71.0	76.1	+0 7	4 60
Financial	83.3	89 1	+0.5	3.35
Growth Accum	150.3	161 6	+0.9	2.02
Growth Income	98.2	106.2	+0.6	2.02
High Income	42.4	45.6	+0.2	6 70
Income	46.9	50.4	+0.5	5.52
North American	48 4	52.0	−0 7	1 49
Orient	47.2	50.7	..	0 20
Recovery	24 3	26 1	+0.2	4.08
Technology	144.1	154.9	−0.4	0 52
Exempt	141 7	152 3	+7.2	4 19

Buckmaster Management Co. Ltd. (a) (c)
The Stock Exchange, EC2P 2JT. 01-588 2868

General Inc Nov 8	145.6	153.1	.....	3.63
Accum Units Nov 8	221 7	233.2	.....	3 63
Income Nov 7	70 0	73.7	.....	5.92
Accum Units Nov 7	114.7	120.6	.. ..	5 92
Intl November 6	99.8	104 7	.....	2.44
(Accum Units) Nov 6	129 1	135 6	..	2.44
Smaller Co's Nov 2	848 9	908.3	.. ..	1 38
(Accum Units) Nov 2	884.7	947.6	.....	1.38

Canada Life Unit Trust Mngrs. Ltd.
2-6 High St, Potters Bar, Herts. P Bar 51122

Can Gen Dist.	82.1	86.5	+1 1	3.07
Do Gen. Accum.	124 1	130.6	+1.6	3 07
Do. Income Dist.	55.6	58 6	+0.7	6.50
Do. Inc. Accum	106.4	112.0	+1.3	6.50
Gilt & Fxd. Int. Trust	35.1	36 9	+0.3	—

Cannon Fund Managers Ltd. (z)
1, Olympic Way, Wembley, HA9 0NB 01-902 8876

Growth	195 5	208.0	+0 4	3.93
Income	225.6	240.0	+0.7	5.54
Far East	117.2	124.7	−0.3	0 63
North American	107.2	114.0	+0.1	2.10

Capel (James) Mngt. Ltd.
100, Old Broad St, EC2N 1BQ. 01-588 6010

[illegible]

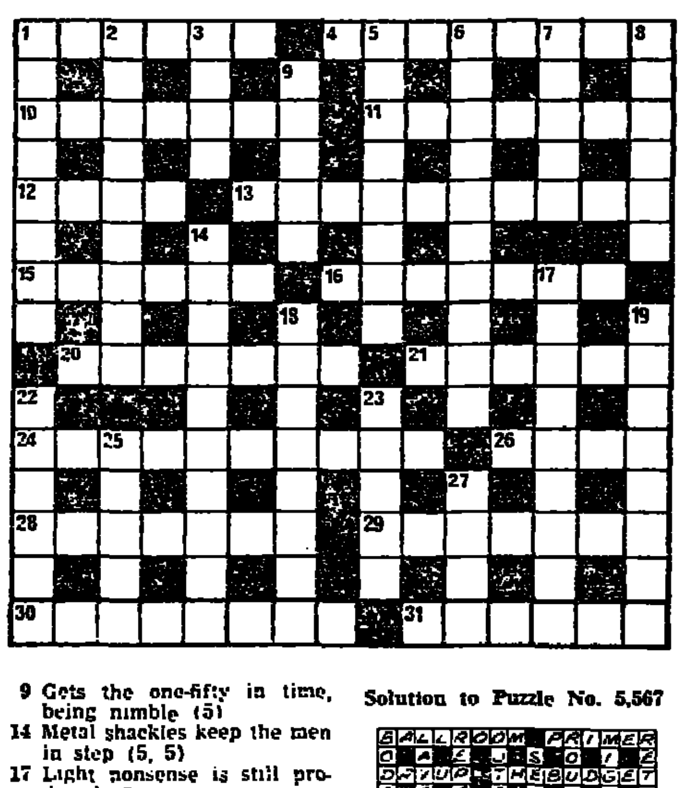
Robert Fleming & Co Ltd
8, Crosby Square, EC3A 6AN 01-638 5858

†Am Exempt (1.11)	284.24	290 72	..	1.91
†Jap Exempt (1.11)	229.42	236 52	.	1.40
†Am Prop Tst (15/11)		$11,269		7.00
†Prop Tst (29/9)		12 094		6 00

†Unauthorised

INSURANCES

F.T. CROSSWORD PUZZLE No. 5568



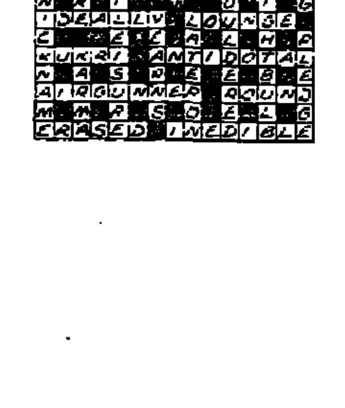
ACROSS

1 Highly trained Italian soldiers? (6)
4 Go over new art and poetry (8)
10 I call round on pressing business (7)
11 Member finishes the accounts (7)
12 A point we returned to once more (4)
13 Time will be on its side (5, 5)
15 Ventilator in a gallery (6)
16 Sailor held by a devout Buddhist state (7)
20 Unintellectual impression about sunburst (7)
21 Turn out a bad citizen perhaps (6)
24 He's against having royalties (10)
26 Is taken back between a double land mass (4)
28 Quieten a girl on the river (7)
29 Talk about port transport (7)
30 Acts as a superintendent abroad, we hear (8)
31 August variety of lemons (6)

DOWN

1 Vehicle in the distance is not hostile (8)
2 The way to get things done (9)
3 To expose a lie it needs hammering home (4)
5 A check on the present demand for bread (4-4)
6 Joint accompaniment? (10)
7 Some more news to repeat (5)
8 Possibly run and see to make certain (6)
9 Gets the one-fifty in time, being nimble (5)
14 Metal shackles keep the men in step (5, 5)
17 Light nonsense is still produced (9)
18 I can read somehow in bright light (8)
19 Narrow gauge train set spread out (8)
22 Quickly put the balance in the Post Office (6)
23 Union striker (5)
25 Tree level (5)
27 Card-game said to be of royal Egyptian lineage (4)

Solution to Puzzle No. 5,567



INSURANCE, OVERSEAS & MONEY FUNDS

OFFSHORE AND OVERSEAS

TSB Trust Funds (CI)
26 Hill St., St. Helier, Jersey (CI). 0534 73494

TSB Gilt Fd	101.0	104.0xd	....	11.54
TSBGiltFdJy	101.0	104.0xd	....	11.54
TSB Jy Fd	93.4	98 4	....	3.85
TSB Grnsy Fd	93 4	98 4	....	3.85
TSBCrncyFd	101.7	106 8xd	....	—

Prices on Oct 24. Next sub day Oct 31.

Taiwan (ROC) Fund
c/0 Vickers da Costa Ltd. King William St. London, EC4. 01-623 2494
NAV $452. IDR value US$11,521.79.

Target Trust Mngrs (Jersey) Ltd
PO Box 194, St Helier, Jersey. 0534-72936

Man Cur Fd	103.3	108.9	....	4.22

Tennant (Cayman) Managers Ltd and NATCO
PO Box 2189, Grand Cayman. 0101 (809) 9497436

WstmtrCom	$8.33	8.79	....	—

Tokyo Pacific Holdings NV
Intimis Management Co NV, Curacao.
NAV per share $143.22.

Tokyo Pacific Hldgs (Seaboard) NV
Intimis Management Co NV, Curacao.
NAV per share $104.51.

Tyndall Bank (Isle of Man) Ltd
30, Athol St., Douglas, Isle of Man 0624 29201

Stg Mny Fd	—	—	....	9.875
U.S. $ Mny Acc	—	—	....	8.75

Tyndall Managers
2 New St, St Helier, Jersey. 0534 37331/3

TOFSL	191.4	205.2	....	1.22
American	207.8	223.4	....	1.80
Far Eastern	252.4	270.2	....	0.93
European	113.8	122.0	....	0.82
PrtfloSIMan	103.1	110.6	....	—
PrtfloSIAmr	100.4	107.9	....	—
PrtfloSIFEst	103.9	111.3	....	—
PrtfloSIEuro	107.1	114.7	....	—
Jersey Fd	167.8	183.4xd	....	5.30
(Nn-JacUts)	411.2	449.0	....	—
Gilt Fund	118.2	120.4	....	10.08
(Accm Shs)	311.4	316.8	....	—

Victory House, Douglas, IoM. 0624 24111

High Inc Glt	111.0	113 2xd	....	12.28
(Accm Shs)	213.2	217.2	....	—

Tyndall International Assurance Ltd
Albert House StPeter Port, Guernsey. 0481 27066

Intl Eqty	425.4	447.8	....	—
Do $	5.435	5.725	....	—
Pacific Eqty	130 4	137.3	....	—
Do $	1 665	1 759	....	—
N Amr Eqty	92.1	97.0	....	—
Do $	1.175	1 240	....	—
UK Equity	293.1	308.6	....	—
Do $	3.745	3.945	....	—
Euro Eqty	119.3	125.6	....	—
Do $	1.520	1.600	....	—
Intl Fxd Int	427.5	450 0	....	—
Do $	5 460	5.750	....	—
Stg Fxd Int	273.9	288.4	....	—
Do $	3.500	3 685	....	—
$ Deposit	135.4	142.6	....	—
Do $	1.730	1.825	....	—
Stg Deposit	155.9	164.2	....	—
Do $	1.990	2.095	....	—
Commodity	405.3	426 7	....	—
Do $	5.175	5 450	....	—
Gold	81.9	86.3	....	—
Do $	1.045	1.100	....	—
UK Proprty	195 0	205 3	....	—
Do $	2.490	2.625	....	—
Intl Mngd	348.5	366.9	....	—
Do $	4.450	4 685	....	—
UK Mngd	257.5	271.1	....	—
Do $	3.290	3.465	....	—

Tyndall-Guardian Mngt Ltd
PO Box 1256, Hamilton, Bermuda

T-G American	$20.91	....	—
T-G Money	$23.66	....	—
T-G Eurobond	$16.39	....	—
T-G Commodity	$21.74	....	—
T-G Mortgage	C$21.82	....	—
T-G Overseas	$11.32	....	—
T-G Pacific	Y2.093	....	—
T-G Wall Street	$25 85	....	—
T-G Gold	$8.28	....	—

M. G. Tyrrell & Co Ltd
PO Box 415, London W13 9NY.

Ortac	$11.60	11.90	....	—

Unico Invest Fd Mgt Co SA Lux
London & Continental Bankers Ltd.
2 Throgmorton Ave, London. 01-638 6111

Uc Inv Fd	$74.31	76 60	+0 40	—

Union-Investment-Gesellschaft GmbH
Postfach 16767, D 6000 Frankfurt 16.

Unifds	DM20.65	21.70	−0 10	—
Unirak	DM70.98	74.55	+0.05	—
Unirenta	DM42.35	43.70	+0.20	—

United Fund Managers Ltd
16-18 Queens Rd Central, Hong Kong. 5-231417

S Mly T	9 00	9.39	....	—

For Vanbrugh Currency Fund see Holborn Fund Management (Jersey) Ltd

S. G. Warburg & Co Ltd and subsdrs
33, King William St. EC4R 9AS. 01-280 2222

EvIntNov9	$43.68	—	−0.04	—
MrcEbdN7	$15.89	15.06	....	7.50
SelRsOct16	$16.7	16.32	....	1.53

39-41 Broad Street, St. Helier, Jsy, CI. 0534 74715

MrcCNov8	£27.82	28.53	....	1.37
McFENov7	£26.28	26.95	....	0.93
MrTrsNv9	£25.81	26.47	....	—
MtTstNv1	£13.64	13.98	....	3.00
MrSmlNv8	£20.21	20.72	−0.47	1.45

Mercury Money Market Trust Ltd

D-Mark	DM79.12	+0.01	—
Dutch Gldr	DF1106 49	+0.01	—
Japanese Yen	Y7.979	+1	—
£ Sterling	£19.91	+0.02	—
Swiss Franc	SF77.34	+0.01	—
U.S. $	$33.71	+0.01	—

1 Thomas St., Douglas, Isle of Man. 0624 4856

MrcIcMFd	57.4	61.1xd	+1.0	7.1
MrcInBdFd	40 7	43.3xd	+0.3	7.2

Wardley Fund Managers (Jersey) Ltd
HK Bk. Bldg. Grenville St., St. Helier. 0534 71460

Wrdly Gt Fd	101.0	105.0	+1.0	10.71

Wardley Investment Services Ltd
4th Floor, Hutchinson House, Hong Kong

Wrdly Tst	$5.44	5.82	....	1.37
WdyNIkAF	$25.36	26.89	....	5.58
WrdlyBdT	$10.50	11.10	....	7.30
WrdlyJapT	$33.72	35.76	....	0.29
WrdlyPyCT	$10.24	10.81	....	2.04

West Avon Secs (Guernsey) Ltd
Borough Hse, St Peter Port, Guernsey. 0481 27963

Gilt&OptFd	£1.10	1.23	....	5.0
US $ Opt	$0.94	0.99	....	—

World Wide Growth Management
10a, Boulevard Royal, Luxembourg

WwdGthF	$11.78	—	−0.02	—

Inv. Adv.: M&G Inv. Mngt. Ltd., London.

Wren Commodity Management Ltd
10, St George's St, Douglas, IoM. 0624 25015

Wren Com Fd	12.8	13.3	....	3.10
Chinese Fd	59.9	62.4	....	1.70
PrecMetlFd	122.6	127.7	....	8 30
VangCmdyFd	26.5	27.2	....	—
FinFuturesFd	32.1	33.4	....	—

Yamaichi Dynamic Mngt Co SA
10a Boulevard Royal, Luxembourg.

DynmcGthF	$9.44	—	+0.06	—

Money Market Trust Funds

	Nom	Apr	Int Cr	Notice
Mallinhall Ltd				
36 Berkeley Sq. W1X 5DA. 01-499 6634				
M'hallMnyFd	10.00	10.37	Qtr	Call
The Money Market Trust				
63 Qn Victoria St, EC4N 4ST. 01-236 0952				
Call Fund	10.37	10 70	6mth	Call
7-day Fund	10.49	10.82	6mth	7day
Oppenheimer Money Management Ltd				
66 Cannon St. EC4N 6AE. 01-236 1425				
Call Fund	10.38	10.64	6mth	Call
7-day Fund	10.00	10.25	6mth	7day
MnyMgAc	10.12	10.52	3mth	Call
Dollar	8.50	8.68	6mth	2day

Money Market Bank Accounts

	Nom	Apr	Int Cr	Notice
Aitken Hume				
30 City Road, EC1Y 2AY. 01-638 6070				
Treasury Acc	10.25	10.65	Qtr	Call
MnInChAcc	10.125	10.61	Mth	Call
Bank of Scotland				
38 Threadneedle St, EC2P 2EH. 01-628 8060				
Cheque Acc	9.60	10.03	Mth	Call
Barclays Prime Account				
PO Box 125, Northampton. 0604 252891				
High Int Chq	9.75	10.11	Qtr	Call
Britannia Grp of Investment Companies				
29 Finsbury Circ, EC2M 5QL. 01-588 2777				
Cater Allen	9.75	10.108	Mth	Call
Charterhouse Japhet plc				
1 Paternoster Row, EC4M 7DH. 01-248 3999				
Sterling	10.00	10 47	Mth	Call
U.S. Dollar	9.50	10.06	Mth	Call
German Marks	5.0	5.19	Mth	Call
Swiss Francs	2.0	2.05	Mth	Call
Japanese Yen	5.0	5.19	Mth	Call
Choulartons				
30 Ashley Rd, Altrincham, Cheshire, WA1 2DW. 061-928 9011				
Cheque Acc	10.56	11.09	Mth	Call
Co-operative Bank				
78-80 Cornhill EC3. 01-626 6543 Ext 465				
Cheque&Save	8.00	8.24	Qtr	Call
Over £1,000	10.00	10.38	Qtr	Call
Dartington & Co Ltd				
Dartington, Totnes, Devon TQ9 6JE. 0803 862271				
MnyMktAcc	10.25	10.66	Qtr	Call
Lombard North Central plc				
17 Bruton St, W1A 3DH. 01-409 3434				
Notice Dep	10.50	10 78	Rate	14day
91-99 New London Rd, Chelmsford. 0245 51651				
M & G Kleinwort Benson				
HighInChqAc	10.12	10.65	Daily	Call
Midland Bank plc				
PO Box 2, Sheffield. 0742 20999 Ext 8735				
High Int Chq	9.50	9.84	Qtr	Call
Save & Prosper/Robert Fleming				
28 Western Rd, Romford RM1 3LB. 0708 66966				
High Int Chq	9.50	9.84	Qtr	Call
Premier Acc	9.533	10.00	Daily	Call
Tyndall & Co				
29-33 Princess Victoria Street, Bristol BS8 4BX. 0272 732241				
Demand Acc	9.87	10.19	Qtr	Call
Money Acc	10.00	10.39	Qtr	Chq7
J. Henry Schroder Wagg & Co Ltd				
Enterprise House, Portsmouth. 0705 827733				
Special Acc	10.00	10.47	Mth	Call
Ovr£10,000	10.25	10.74	Mth	Call

NOTES—Interest rates given both as a nominal rate and an annual percentage rate adjusted for frequency of interest credit.

NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix to U.S. dollars. Yields % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered prices includes all expenses if bought through managers. z Previous day's price. ¶ Guernsey gross. § Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. ⊕ Yield column shows annualised rates of NAV increase.

COMMODITIES AND AGRICULTURE

Handling problems 'threat to grain flow'

By Our Commodities Editor

HANDLING and transportation problems are threatening to slow the flow of grain to countries most in need, according to Mr J. H. Parotte, executive secretary of the International Wheat Council.

He told a world grain conference in Mexico City that the IWC planned to publish shortly the results of a study of the difficulties facing developing countries in handling the increased amounts of grain imports required.

Mr Parotte noted that rice and grain imports by developing countries during the past 10 years had jumped from 36m to 74m tonnes, and their share of world grain trade rose from 27 to 38 per cent.

Impelled by population growth, total grain consumption in the Third World currently estimated at 440m tonnes was expected to double by the year 2000. However, while there were good prospects for increasing domestic production, the gap to be filled with imports would inevitably widen.

The rapid increase of grain imports in recent years had already put tremendous strain on port and internal transportation systems in developing countries, and unless action was taken quickly they would be unable to cope with further increased traffic.

The inability of some countries, where diets are already inadequate, to handle their grin imports could have the most serious and distressing consequences, as had recently occurred in Ethiopia, Mr Parotte warned. Much of the finance to procure the necessary improvements would have to be provided by developed countries or international lending institutions, he said.

Aluminium stocks jump

BY JOHN EDWARDS, COMMODITIES EDITOR

ALUMINIUM STOCKS in the non-communist world rose sharply in September, in spite of the production cuts this year, according to the latest figures issued yesterday by the International Primary Aluminium Institute.

Primary aluminium stocks at the end of September rose to 2.516m tonnes compared with 2.449m at the end of August and 2.039m tonnes a year ago. Stocks of all forms of primary and secondary (scrap) aluminium increased to 4.342m tonnes against 4.224m in August and 3.764m in September 1983.

The rise in world aluminium stocks was far greater than the market had been anticipating, but there was only a brief reaction on the London Metal Exchange yesterday. Three months aluminium still ended £9.50 up at £962.75 a tonne.

Lead prices moved higher too, although the decline in the LME warehouse stocks was much lower than expected. The market was buoyed up by Asarco's decision on Friday to lift its U.S. domestic selling price of lead by 1 cent to 26 cents a lb. Noranda followed suit yesterday going to 26 cents, but Amax decided to increase its U.S. selling price by 2 cents to 27 cents a lb.

World mine production of lead in the first nine months of 1984 dropped to 1.745m tonnes, 92,000 tonnes below the same period last year, according to the International Lead and Zinc Study Group.

In contrast, world zinc output during January-September this year rose by 166,000 tonnes above the 1983 level to 3,730,000 tonnes, the study group figures showed.

Zinc values on the Metal exchange fell back following news that strikes at U.S. plants, owned by Jersey Miniere Zinc and New Jersey Zinc, had been settled. Freer offerings of cash metal supplies, and the rise in LME stocks also depressed the market.

The stronger trend in sterling against the dollar put pressure on copper, nickel and tin prices on the exchange. However, trading activity generally was at a low ebb with U.S. banks closed for the Veteran's Day holiday.

LONDON METAL EXCHANGE WAREHOUSE STOCKS

(Changes in week ending Nov 9)

Aluminium	−1,975 to 140,352
Copper	−2,525 to 153,000
Lead	−250 to 40,200
Nickel	−564 to 11,280
Tin	−885 to 22,875
Zinc	−475 to 36,450
	(tonnes)
Silver	+20,000 to 51,378,000
	(ounces)

Inco to cut Swansea production

BY ROBIN REEVES, WELSH CORRESPONDENT

INCO EUROPE yesterday announced the shutdown of nickel pellet and powder production at its Clydach refinery, near Swansea, for at least three months from next January 1, to prevent a build-up of excessive stocks.

The move reflects a slowdown in demand from the U.S. over the past two months which, in turn has triggered an unexpected fall back in world nickel prices.

An announcement about the position of Inco's two Canadian refineries is expected shortly.

The Clydach shutdown will result in the lay-off of 370 of the refinery's 537 workforce. Production of nickel chloride and nickel sulphate is not affected.

Dr Brian Davison, general manager, said the company regretted the move. It has been taken to reduce the expected levelof stocks to a level consistent with anticipated market conditions. Production is due to resume in April, subject to market conditions.

Inco stressed that sufficient stocks of finished nickel products would be available for the company to fulfil its sales commitments.

In April 1982, nickel pellet and powder production at Clydach was halted for seven months to help promote a better balance between supply and demand.

Gatt lists dairy problems

GENEVA — The international dairy market continues to face serious problems as large dairy product stockpiles held by leading producers continue to depress prices, according to a report by the General Agreement on Tariffs and Trade, published yesterday.

"Keen concern is being felt over the level of stocks and problems of their disposal," the Gatt said in its annual review of the dairy market.

Total stocks held by producing nations in Western Europe, North America and the Pacific region on July 1 were above the levels of a year earlier.

Stockpiles of butter and skimmed milk powder were expected to be higher at the end of 1984 than they were at the end of 1983, it added.

Total international trade in dairy products declined in 1983 for the second consecutive year.

AP-Dow Jones

Gas oil becomes busiest soft commodity

THE International Petroleum Exchange's gas oil contract was London's most traded soft (non-metal) commodity last month.

The surge of interest sparked off by crude oil price cuts pushed October volume to 84,421 lots, overtaking cocoa (75,850 lots) which had led the London turnover league for some time.

Third in the list was the dollar raw sugar contract with 64,698 lots traded.

Total volume for all soft commodities was 321,093 lots, according to figures published by the International Commodities Clearing House. The October 1983 comparison was given as 246,911 lots, but that did not include the sterling raw sugar contract, which has since ceased trading.

● MUIRPACE, a leading London futures broker in agricultural and energy commodities, has acquired 50 per cent of Van Zanten & Van Westen B.V., a leading Amsterdam potato physical and futures broker.

● MITSUI AND CO. will start retail trading in gold, silver and platinum by telephone early next year to attract more small investors.

It will invite people to join the Mitsui and Co Gold Club from end-November which will enable them to trade precious metals by telephone.

● THE BALTIC International Freight Futures Exchange, due to start trading during the second quarter of 1985, will initially offer a total of 100 memberships. These will comprise 30 floor memberships and 70 non-floor memberships.

All members will be investors in the exchange with rights of representation on the board.

Clearing arrangements will be handled by the International Commodities Clearing House and members of Biffex may elect whether or not they wish to be clearing members.

More forest sales planned

BY MARK MEREDITH, SCOTTISH CORRESPONDENT

THE FORESTRY Commission, which is successfully reducing its call on government money through a programme of land sales, has increased its revenue target by £12m to about £100m.

The increase is due to additional woodland sold under a restructuring plan which will cut the number of commission offices in the UK from 11 to seven.

Last week, in response to a written parliamentary question, Mr George Younger, Secretary of State for Scotland, announced that the time span for the Forestry Commission's disposal programme would be increased by two years to March 31, 1989.

The commission raised £56m under the disposal programme started last year with the sale of 72,000 hectares of woodland.

However, the reorganisation programme will mean that some peripheral woodlands may be difficult to administer and will be sold off. These, plus acreage already scheduled for sale, could raise an additional £45m over the next four or five years.

Sales so far have already covered the £44.6m government grant in 1983. Forestry Commission officials are confident of a break even on budget.

Under the restructuring of the regional conservancies, two offices in England (Chester and Lyndhurst), one in Wales (Cardiff), and one in Scotland (Aberdeen), are being closed.

The number of industrial staff in the commission has already fallen by 50 per cent to 4,749.

In spite of fears that the Forestry Commission sales might in effect dump property on the market, land agents report stable demand and no overall drop in prices.

Average prices for Forestry Commission woodlands are virtually impossible to fix due to the variable locations and the condition of trees. Inaccessible land or poor quality trees can sell for £40 an acre while prime woodland can go for £3,000.

The private sector has not complained too loudly about the sales which will still leave the government forestry body the largest woodland owner in Britain with 916,000 hectares.

Mr Angus Crow of land agents John Clegg in Edinburgh which handle Forestry Commission sales, said that many first time investors have taken an interest in forest land, especially in small, affordable and attractive lots which come on to the market.

The commission may find it is able to keep hold of land set for sale, but which it does not want to lose, if sufficient revenue is generated from woodland for sale under the regional reorganisation.

UK farmers attack French beef plan

BY IVO DAWNAY IN BRUSSELS

A FRENCH scheme to give FFr 400m (£35m) in an emergency national support scheme to its beef industry yesterday provoked angry opposition from the UK's National Farmers' Union.

The NFU argues that any such programme unfairly distorts the Community market and its principle of equal treatment for all farmers. It adds that average EEC prices for beef, already near an all-time low at just under 76 per cent of the Community's target level, are about 4 per cent higher in France.

Reports of the aid plan emerged from a conference of beef farmers in Paris last week. M Michel Rocard, the French Agriculture Minister, is understood to have given assurances that special measures, including taxation and social security exemptions for beef farmers and direct subsidies to producers and slaughterers, will be formally announced shortly.

The minister has given notice that he will raise the issue at the EEC Farm Council currently under way in Brussels in the hope that his colleagues will give their unanimous approval. This would prevent the European Commission from banning the scheme as contrary to EEC regulations.

Political pressure from national farm lobbies may make several ministers reject, or at least stall, on approving special exemptions for France.

No formal notice of the detailed scheme had been received by the Commisssion yesterday, but unofficially it was hinted that it, too, would object to any direct subsidy programme for France alone.

The EEC beef surplus is at a record level with over 500,000 tonnes in Community stores, and a further 70,000 tonnes in subsidised private storage. Each week more than 25,000 tonnes are being bought-in under the farm support programme, as much as 8,000 tonnes of this from France.

In spite of record exports, almost double those of last year at about 800,000 tonnes, the sector is projected to cost more than Ecu 2bn (£1.18bn) this year—more than Ecu 500m over budget.

Last month, it was revealed that storage space in countries outside the Comunity was being hired as EEC cold stores neared capacity.

Mr Michael Jopling, the UK Farm Minister, refused to be drawn last night on a demand from the NFU that the French aid should be blocked unless equivalent supports are introduced in the UK.

PRICE CHANGES

BRITISH COMMODITY PRICES

AMERICAN MARKETS

LONDON OIL

SPOT PRICES

GAS OIL FUTURES

GOLD MARKETS

Gold closed unchanged at $346¼-347 on the London bullion market yesterday. This was the highest level of the day. The metal opened at $345¼-345¾ and was fixed at $345.80 in the morning and $345.75 in the afternoon. It touched a low of $345-345½.

In Paris the 12½ kilo gold bar was fixed at FFr 101,000 per kilo ($346.29 per ounce) in the afternoon, compared with FFr 101,000 ($346.06) in the morning and FFr 101,200 ($345.47) Friday afternoon.

In Frankfurt the 12½ kilo bar was fixed at DM 32,930 per kilo ($347.03 per ounce), against DM 33,050 ($347), and closed at $346-346½ compared with $346½-347.

In Luxembourg the 12½ kilo bar was fixed at the equivalent of $345.80 per ounce.

In Zurich gold finished at $346¼-346¾ against $346¾-347¼.

LONDON FUTURES

EUROPEAN MARKETS

BASE METALS

COPPER

TIN

LEAD

ZINC

ALUMINIUM

NICKEL

SILVER

COCOA

COFFEE

GRAINS

WOOL FUTURES

LONDON NEW ZEALAND CROSSBREDS—Close (in order: buyer, seller, business). New Zealand cents per kg. Dec 516, 520, nil; Jan 519, 523, 519; March 528, 530, 528-527; May 533, 553-552; Jan 553, 554, 555-553; March Oct 551, 554, 552-550; Dec 552, 554, [illegible]

PIGMEAT

COTTON

POTATOES

INDICES

FINANCIAL TIMES

REUTERS

MOODY'S

DOW JONES

RUBBER

SOYABEAN MEAL

MEAT/FISH

SUGAR

JUTE

TEA AUCTION

NEW YORK, November 12

Gold and silver showed slight gains in light activity as the weaker tone to the dollar encouraged light buying interest, reports Heinold Commodities. The continued drawdown in LME and Comex stocks supported copper values. Sugar was under pressure as good trade selling discouraged commission house buying. [illegible] rallied sharply as good commission buying developed on a technical basis along with reports of heavy damage to the Colombian crop from recent rains. Cotton suffered sharp losses from the bearish USDA crop estimate. Heating oil weakened on continued concern that production by Nigeria will keep cash markets weak. The soybean [illegible]

NEW YORK

CHICAGO

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar little moved: pound firm

The dollar showed small mixed changes on the foreign exchanges yesterday at the London close. Trading was quiet, with New York banks closed for Veterans Day. Short covering gave the dollar a firm undertone initially, and the market showed little or no reaction to Friday's announcement of an easing of Federal Reserve monetary policy. This was contained in the minutes of the October Federal Open Market Committee meeting, and the market also expects the November FOMC minutes, when published next month, to confirm the Federal Reserve has eased its monetary grip and allowed interest rates to fall. This follows a slow down in the fast rate of U.S. economic growth. Figures due for release this week, such as retail sales tomorrow and industrial production on Thursday are expected to underline the slower pace of expansion by showing only moderate increases.

The dollar improved to DM 2.9465 from DM 2.9450 and FFr 9.0475 from FFr 9.0350, but fell to SwFr 2.4160 from SwFr 2.4235, and Y240.85 from Y241.

On Bank of England figures the dollar's index rose to 138.4 from 138.3.

STERLING — Trading range against the dollar in 1984 is 1.4905 to 1.1875. October average 1.2207. Exchange rate index rose 0.2 to 76.5, the highest point of the day, after opening at the day's low of 76.2, compared with 80.0 six months ago.

Sterling began on a firm note, and showed further small gains towards the close, although there appeared to be little reaction to the forecasts of 3½ per cent growth in the UK economy next year, or the anticipated 4½ per cent inflation rate, contained in the Treasury's Autumn Statement. Major factors behind the pound's strength were the continuing drift back to work in the mines, the rise in gilts on hopes of lower interest rates, expectations that the British Telecom share offer will be well received. The pound gained ½ cent to $1.2665-1.2675, and also rose to DM 3.7350 from DM 3.7150; FFr 11.4550 from FFr 11.4325 SwFr 3.0625 from SwFr 3.0575 and Y305.25 from Y303.75.

D-MARK — Trading range against the dollar in 1984 is 3.1410 to 2.5535. October average 3.0676. Trade-weighted index 122.7 against 124.4 six months ago.

The D-mark gained ground against the dollar at the Frankfurt fixing, but weakened against several other major currencies. The dollar opened at DM 2.9555, up slightly from the Tokyo close of DM 2.9525, but then fell back to be fixed at DM 2.9548, compared with DM 2.9655. There was no intervention by the Bundesbank at the fixing, and the German central bank was probably not active on the open market. The dollar briefly broke through the DM 2.96 level, which was seen as a chart resistance point for the U.S. currency, but failed to sustain this gain in quiet trading. Doubts about whether U.S. interest rates have stabilised, or will move lower, contributed to the quiet level of the market. There was no guidance from the U.S. on the subject, with New York closed for a public holiday.

Sterling remained firm, rising to DM 3.7350 from DM 3.7260 at the fixing, while the Swiss franc improved to DM 1.2197 from DM 1.2182. Within the EMS the French franc fell to DM 32.585 per 100 francs from DM 32.590, and the Italian lira to DM 1.6050 per 1,000 lira from DM 1.6070. On the other hand the Dutch guilder rose to DM 88.670 per 100 guilders from DM 88.650.

STERLING EXCHANGE RATE INDEX

(Bank of England)

	Nov 12	Previous
8.30 am	—	—
9.00 am	76.2	76.5
10.00 am	76.2	76.4
11.00 am	76.4	76.3
Noon	76.4	76.1
1.00 pm	76.4	76.1
2.00 pm	76.4	76.2
3.00 pm	76.3	76.4
4.00 pm	76.5	76.3

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu November 12	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	44.9008	45.1431	+0.54	+0.63	±1.5428
Danish Krone	8.14104	8.06532	−0.93	−0.84	±1.6421
German D-Mark	2.24184	2.23147	−0.46	−0.37	±1.1463
French Franc	6.87456	6.84853	−0.38	−0.27	±1.3659
Dutch Guilder	2.52595	2.51706	−0.35	−0.26	±1.5165
Irish Punt	0.72569	0.719898	−0.80	−0.71	±1.6677
Italian Lira	1403.49	1388.29	−1.08	−1.08	±4.0511

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

POUND SPOT—FORWARD AGAINST POUND

DOLLAR SPOT—FORWARD AGAINST DOLLAR

OTHER CURRENCIES

CURRENCY MOVEMENTS

CURRENCY RATES

EXCHANGE CROSS RATES

EURO-CURRENCY INTEREST RATES (Market closing rates)

FINANCIAL FUTURES

Further rise

Values were marked firmer in the London International Financial Futures Exchange yesterday as the market took advantage of a very bullish short term outlook. Substantiation of earlier rumours that the Federal Reserve Board had relaxed its monetary stance came with the release of the previous FOMC meeting. This combined with growing hopes of an end to the miners' strike and sterling's better performance to push prices firmer.

In addition the cash market showed an easier trend as hopes increased of a further reduction in UK clearing bank base rates.

Euro-bond prices suffered from a little profit-taking in the afternoon, however, in very thin trading as many U.S. financial centres were closed for Veteran's Day.

Gilt prices managed to weather the afternoon sell off and finished at 110-15 for December delivery up from 109-28 on Friday and near a big resistance level at 110-16.

Sentiment was also buoyed by comments by Mr Nigel Lawson, Chancellor of the Exchequer, when he predicted a further current account surplus, low inflation, and a reduction in direct taxation in next year's budget.

LONDON

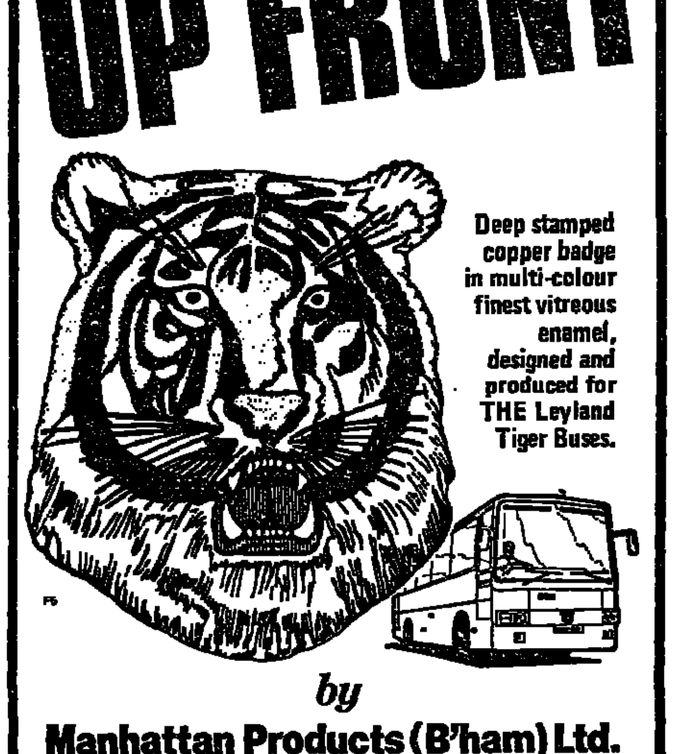
THREE-MONTH EURODOLLAR $1m points of 100%

	Close	High	Low	Prev
Dec	90.23	90.28	90.19	90.17
March	89.79	89.84	89.77	89.17
June	89.38	89.42	89.36	89.30
Sept	88.97	89.02	88.97	88.88
Dec	88.62	—	—	88.55

Est. Volume 2,626 (6,758)

CHICAGO

U.S. TREASURY BONDS 8% $100,000 32nds of 100%



£ WORLD VALUE OF THE POUND

The table below gives the latest available rate of exchange for the pound against various currencies on November 12, 1984. In some cases rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

Abbreviations: (A) approximate rate, no direct quotation available; (F) free rate; (P) based on U.S. dollar parities and going sterling-dollar rates; (T) tourist rate; (Bas) basic rate; (bg) buying rate; (Bk) bankers' rates; (cm) commercial rate; (ch) convertible rate; (fu) financial rate; (exC) exchange certificate rate; (nc) non-commercial rate; (nom) nominal; (o) official rate; (sg) selling rate.

COUNTRY	CURRENCY	VALUE OF £ STERLING
Afghanistan	Afghani	99.00
Albania	Lek	10.03
Algeria	Dinar	(A) 6.37
Andorra	French Franc	11.455
	Spanish Peseta	209.80
Angola	Kwanza	(CM) 36.3950
Antigua	E. Caribbean $	3.4140
Argentina	New Peso	160.2750
Greenland	Danish Kroner	13.4875
Grenada	E. Caribbean $	3.4140
Guadaloupe	Local Franc	11.455
Guam	U.S. $	1.2670
Guatemala	Quetzal	1.2670
Guinea	Syli	30.85
Guinea-Bissau	Peso	105.05
Guyana	Guyanese $	5.2850
Peru	Sol	exe(A)5,700.28
Philippines	Philippine Peso	24.13
Pitcairn Islands	£ Sterling	—
	New Zealand $	2.5525
Poland	Zloty	157.40
Portugal	Portugu'se Escudo	203.475
Puerto Rico	U.S. $	1.2670

MONEY MARKETS

Lower rates reflect bullish sentiment

Interest rates were lower in London yesterday. This reflected further indications of softer U.S. rates and sterling's buoyant performance. There was also some satisfaction gained from Mr Nigel Lawson, Chancellor of the Exchequer, after his latest projections.

Three-month interbank money fell to 9⅞-10⅛ per cent from 10-10⅛ per cent while three-month eligible bank bills were bid at 9¾-9⅞ per cent down from 9⅞-9$\frac{31}{32}$ per cent. Overnight interbank money opened at 10⅛-10⅜ per cent and touched 10⅝ per cent before easing to about 5 per cent. The bullish nature of the market was reflected in the very small early help and the eventual arranging of sale and repurchase agreements as discount houses showed their reluctance to part with paper outright.

UK clearing banks' base lending rate 10 per cent since November 7

The Bank of England forecast a shortage of around £550m with factors affecting the market including maturing assistance and a take up of Treasury bills together draining £534m and the unwinding of previous sale and repurchase agreements a further £307m.

To help alleviate the shortage the Bank provided an early round of assistance but this only involved purchases of £9m of eligible bank bills in band 4 (64-91 days) at 9¾ per cent. It gave additional help in the morning of £74m, comprising purchases of £55m of eligible bank bills in band 2 (15-33 days) at 9⅞ per cent and in band 3 (34-61 days) £10m of Treasury bills and £9m of eligible bank bills all at 9¾ per cent.

The forecast was later revised to a shortage of around £600m and the Bank gave additional help in the afternoon of £361m, made up of purchases of £31m of local authority bills in band 1 (up to 14 days) at 10 per cent and in band 2 £81m of eligible bank bills in band 2. In band 3 it bought £28m of eligible bank bills at 9¾ per cent and also arranged sale and repurchase agreements on £241m of bills at 9¾ per cent, unwinding on December 12. Late assistance came to £165m, making a total of £601m.

MONEY RATES

LONDON MONEY RATES

Nov. 12 1984	Sterling Certificate of deposit
Overnight	—
2 days notice	—
7 days or	—
7 days notice	—
One month	10$\frac{1}{16}$-10¼
Two months	10$\frac{1}{16}$-10$\frac{3}{16}$
Three months	9$\frac{15}{16}$-9$\frac{13}{16}$
Six months	9$\frac{27}{32}$-9$\frac{21}{32}$
Nine months	9$\frac{27}{32}$-9$\frac{21}{32}$
One year	9$\frac{27}{32}$-9$\frac{21}{32}$

	Local Auth. negotiable bonds
One month	10¼-10⅛
Two months	10⅜-10⅛
Three months	10¼-10 ¼
Six months	10-⅛-9⅞
Nine months	10⅜ 10⅛
One year	10¼-10
Two years	—
Three years	—
Four years	—
Five years	—

FT LONDON INTERBANK FIXING

(11.00 a.m. November 12)

3 months U.S. dollars

bid 9 1/12	offer 95/8

6 months U.S. dollars

bid 9 3/4	offer 9 7/8

The fixing rates are the arithmetic means, rounded to the nearest one sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime)

INTERNATIONAL CAPITAL MARKETS

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. The following are closing prices for November 12.

Investors shun tight terms on Italian bank's $100m issue

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT, IN LONDON

ITALY'S Banco di Santo Spirito is raising $100m in the Euromarket through a seven-year floating rate note led by Credit Suisse First Boston and bearing interest at a margin of ⅛ points over the six month London interbank offered rate (Libor) for dollar deposits.

The issue was the only new deal to be launched in a generally firm Eurobond market yesterday, but it slipped quickly to a discount of around 75 basis points from its par issue price, outside the total fees of 50 points.

Dealers blamed the tight terms for the poor response of investors. Also Santo Spirito is a little known name in the bond market, although it is part of the state-owned IRI group of companies.

Friday's $300m floating rate issue for Banca Commerciale Italiana was by contrast trading well yesterday at a discount of only 30 points compared with its total fees of 47½ points. The $400m note for Chase Manhattan was also well within its fee structure at a discount of 17½ points.

Buying demand from Japan yesterday morning helped boost secondary market prices of conventional fixed rate deals by up to ½ point yesterday. With the New York government securities market closed for the Veterans Day public holiday, however, and a continuing overhang of new paper, new issue activity was generally confined to other currencies.

The Council of Europe is raising DM 200m through a 10-year, 7¼ per cent bond priced at 100½ per cent by BHF-Bank. The paper traded at a narrow discount of about ⅜ points despite its premium pricing. Selling concession is 1⅜ per cent. Elsewhere, the Norwegian City of Trondheim launched a small DM 17m private placement.

Enel, Italy's state electric utility, launched a Fl 100m 10-year issue through AmRo with an indicated coupon of 8 per cent, while the same bank is leading a Fl 50m, five-year, 7¾ per cent private placement at 99½ for Westland/Utrecht Hypotheekbank.

There were also two new issues in the Ecu sector where Sparekassen SDS of Denmark is raising Ecu 42m through a seven year, 10⅝ per cent bond at 100½ led by Société Générale and Kredietbank. Banco di Napoli launched an Ecu 30m floating rate note through Italian International Bank which matures in 1989 and bears interest at ⅜ per cent over six month Libor.

Norsk Data launched a rare NKr 200m five year, 10⅝ per cent issue at par through Den norske Creditbank, while in Switzerland the coupon of the IC Industries SwFr 125m 10-year bond has been set at 5¾ per cent with an issue price of 100¾ per cent by lead manager UBS.

The coupon of the $100m bond with equity warrants for Mitsubishi Metal has been cut to 7¾ per cent from 8¼. Lead manager Nikko Securities will announce other terms today.

BHF Bank bond average

Nov 12	Previous
102.124	102.035
High 1984	Low
102.124	98.056

India invites bids on $100m–$150m FRN

BY JOHN ELLIOTT IN NEW DELHI

INDIA yesterday invited bids from five European and U.S. banks to be the lead manager for a $100m to $150m floating rate note which the government-owned Oil and Natural Gas Commission will be issuing in January.

This is the first time an Indian corporation has gone into the floating rate note market, but it intends to use the sector again in future.

The invitation for bids to be returned by next Monday indicates the Government's confidence that its standing in the international banking community has not suffered as a result of the political and communal upheavals of the past fortnight.

Details of syndicated loans for aircraft purchases by Air India and Indian Airlines have yet to be finalised, but there is no sign of them being delayed. A total of nearly $1bn will be needed, including export credits. Leasing offers are already being considered from Chartered, Grindlays and Warburgs and two Japanese institutions for some of the Air India aircraft.

India has decided not to go ahead with an application for a sizeable loan from the Asian Development Bank. Last year it sought its first loan from the bank and said it wanted $2bn. Later it said it would be satisfied with $1.2bn to $1.5bn, but the bank has offered only $200m.

A Government spokesman said it would not take the $200m and would not pursue its application until the bank was able to decide "objectively, free from extra pressures."

This was believed to be a reference to the U.S., which is thought to have opposed granting a large loan for India.

OVER-THE-COUNTER

Continued from Page 30

Indices

NEW YORK—DOW JONES

	Nov. 12	Nov. 9	Nov. 8	Nov. 7	1984 High	1984 Low
AUSTRALIA						
All Ord. (1/1/80)	778.0	778.2	779.1	777.7	787.9 (9/11)	648.3 (18/6)
Metals & Minls. (1/1/80)	471.4	476.4	480.0	476.0	567.4 (5/1)	404.9 (24/7)
AUSTRIA						
Credit Aktien (2/1/62)	57.61	57.65	57.75	57.87	57.87 (7/11)	53.20 (15/6)
BELGIUM						
Belgian SE (31/12/63)	161.65	162.10	162.66	163.24	165.06 (25/10)	136.26 (4/1)
DENMARK						
Copenhagen SE (3/1/83)	(u)	(u)	170.76	171.19	225.21 (20/1)	161.78 (17/10)
FRANCE						
CAC General (31/12/82)	180.7	180.6	180.5	181.4	183.0 (26/10)	155.6 (5/1)
Ind Tendance (30/12/83)	119.0	118.9	118.5	118.0	119.5 (25/10)	99.4 (3/1)
GERMANY						
FAZ Aktien (31/12/58)	370.49	372.02	371.79	370.44	376.95 (22/10)	317.17 (25/7)
Commerzbank (1/12/58)	1082.5	1086.3	1086.2	1087.7	1101.2 (22/10)	917.7 (25/7)
HONG KONG						
Hang Seng Bank (31/7/64)	1044.45	1047.62	1052.65	1046.06	1170.35 (19/3)	746.02 (13/7)
ITALY						
Banca Comm Ital. (1972)	211.92	211.28	210.78	211.18	228.57 (1/2)	192.06
JAPAN**						
Nikkei-Dow (16/5/49)	11235.1	11239.28	11166.8	11178.5	11374.1 (5/11)	9703.35 (23/7)
Tokyo SE New (4/1/68)	849.57	858.38	850.61	858.98	878.82 (2/4)	750.45 (4/1)
NETHERLANDS						
ANP-CBS General (1970)	179.5	179.6	178.2	178.8	182.1 (22/10)	146.8 (26/7)
ANP-CBS Indust (1970)	140.0	139.8	139.8	140.4	147.8 (1/2)	118.7 (18/6)
NORWAY						
Oslo SE (4/1/83)	282.54	277.21	277.94	284.88	286.70 (9/5)	221.87 (4/1)
SINGAPORE						
Straits Times (1966)	800.79	817.74	829.26	838.17	1071.91 (8/2)	800.79 (12/11)
SOUTH AFRICA						
Gold (1958)	(u)	—	1078.5	1056.5	1075.6 (5/6)	780.1 (24/1)
Industrial (1958)	(u)	—	897.7	894.8	1106.3 (26/3)	853.5 (19/9)
SPAIN						
Madrid SE (30/12/83)	139.21	(c)	139.76	140.35	154.51 (8/10)	102.02 (3/1)
SWEDEN						
Jacobson & P. (1/1/58)	1397.10	1402.2	1419.98	1422.78	1594.5 (8/2)	1,888.00 (29/5)
SWITZERLAND						
SwissBank Cpn. (31/12/58)	378.9	380.0	381.0	382.7	389.5 (3/1)	354.5 (25/7)
WORLD						
Capital Intl. (1/1/70)	—	187.5	188.5	189.3	190.6 (3/5)	164.6 (24/2)

** Saturday November 3: Japan Nikkei-Dow (c). TSE (c).
Base values of all indices are 100 except Australia All Ordinary and Metals—500, NYSE All Common—50; Standard and Poors—10; and Toronto Composite and Metals—1,000, Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 Industrials. § 400 Industrials plus 40 Utilities, 40 Financials and 20 Transports. c Closed. (u) Unavailable.

New York Active Stocks